



# French aerospace merger remains grounded

The proposed merger between Aérospatiale and Dassault, France's two aircraft makers, has run into trouble less than a month after it was announced by the French government, writes Michael Skapinker, Aerospace Correspondent.

The "pilot committee" of the two companies set up to produce a merger plan by the end of June has not been able to start its work because Dassault executives have refused to attend. "Nothing has moved. There has been no progress whatsoever," one manager said yesterday.

Aerospace executives believe Mr

Serge Dassault, the company's chairman, is resisting a merger in which Aérospatiale would play the leading role. Dassault is not. One of Dassault's demands is thought to be the removal of Mr Louis Gallois, Aérospatiale's chairman.

The French government remains anxious for the merger to go ahead. Mr Charles Millon, the defence minister, warned earlier this week: "Mr Dassault must remember that his principal customer is the state."

Mr Gallois has said the June 30 deadline for producing a merger plan

is "tight but tenable". Aérospatiale refused to comment yesterday on the difficulties with Dassault.

The merger plan was supposed to have set out how the companies could be united into a single group within two years. Aérospatiale is a leading partner in Airbus Industrie, the European aircraft manufacturing consortium, and also makes France's nuclear missiles. Dassault makes military jets such as the Mirage and the Rafale.

Failure to produce a merger between the two companies would be a blow to the government's plans to

consolidate the country's aerospace and defence industries. It proposed the merger last month at the same time as announcing the privatisation of the Thomson electronics group. Mr Alain Juppé, the prime minister, told the National Assembly he wanted "to restructure the arms industry around a civil and military aeronautics pole [centred on Aérospatiale-Dassault] and a second electronics pole constituted around a privatised Thomson".

The government said it saw the moves as the start of a consolidation of Europe's aerospace and defence industries, with French companies

playing a central part. The government objected to talks between Thomson-CSF, the Thomson defence subsidiary, and GEC of the UK because it wanted French companies to consolidate first. The ending of the talks with GEC was one of the reasons behind the resignation last month of Mr Alain Gomez, the president of Thomson SA, the holding company.

Aerospace and defence groups in Britain and Germany have also said they see the consolidation plans in France as the prelude to Europe-wide restructuring.

# France reaffirms its belief in two-speed European Union

By Andrew Jack in Paris

France yesterday outlined its belief in a two-speed European Union with power concentrated in national parliaments and the council of ministers.

In a policy statement ahead of the inter-governmental conference in Turin at the end of this month, Mr Alain Juppé, the prime minister, called for reform of EU institutions and ruled out creation of a "super-European state".

Addressing European centre-right politicians in Paris, he stressed the need to relaunch economic growth in the continent and achieve a single currency to consolidate growth in the member states, ensure the

defence of the region and put an end to "crisis and conflicts" within and on the borders of Europe.

He affirmed his belief in the importance of a Europe ultimately enlarged to the countries of the former Eastern bloc, alongside an inner Union of those of the existing 15 member states linked through a single system of law.

Mr Juppé said there should be a "second circle" within the existing EU of "a small number of states around France and Germany", which wanted to move further or more quickly than others on subjects such as defence and a single currency.

He said members of the EU should not participate à la

carte simply in those elements which interested them, and stressed that Europe was about a regime of laws and obligations applicable to all countries.

The political centre of gravity, he stressed, should not rest in the Commission and the European Parliament, but rather in the Council of Ministers and in national parliaments.

"For us Gaullists, the nation-state is more than ever the place which is both essential and central to implementing the democratic contract, the social and political focus between the citizen and his representatives," he said.

The existing structure of the

European Council, with its rotating presidency, was more and more showing its limitations, he said. He proposed the creation of a "super secretary general of the council" in charge of foreign policy and common defence policy.

He also called for a simplification of the way the European Parliament works, saying that the complexity of EU legislation threatened the democratic transparency of the region.

Mr Juppé stressed the idea of a common defence force, with each of the five largest EU countries making available 50,000-60,000 soldiers able to act autonomously or in co-operation with the US through Nato.

# Pressure to remove IGC block

By Neil Buckley in Strasbourg

The EU presidency and the Commission president yesterday increased pressure on France and Britain to stop trying to block a European parliament presence at this month's intergovernmental conference on the future of the Union.

Ms Susanna Agnelli, foreign minister of Italy, which holds the EU presidency, also outlined a firmly integrationist agenda for the IGC - in contrast to the cautious positions taken by Britain and France in the past two days.

She told MEPs in Strasbourg that Italy would "not accept a lowest common denominator position" on parliamentary involvement in the conference. It would continue to press for the decision of last December's European Council meeting in Madrid to be fulfilled "both in spirit and to the letter". That decision said the parliament should give its view on issues in the hands of the IGC regularly and in detail.

Mr Jacques Santer, the Commission president, told the parliament it was important, "after the Maastricht experi-

ence, to adopt the most transparent and democratic approach to the review of the [European] treaties. The best way to do this is to ensure parliament is effectively involved in the IGC."

Last weekend Britain and France blocked agreement at a foreign ministers' meeting in Sicily on an Italian compromise that would have required parliament to be kept closely informed on the progress of IGC talks.

In a statement of the Italian

position two weeks before the IGC is due to open in Turin, Ms Agnelli said European integration was "necessary to render our society more solid", while its enlargement was a "moral duty and objective requirement".

She added that majority voting in the Council of Ministers should become the "general rule", except for issues of a "constitutional character" and suggested "different degrees" of European integration were possible - an "avant-garde" of member countries moving quickly towards integration would be a "logical" part of the process.

Mr Santer emphasised the similarities between the Commission's position on the IGC and that of parliament, adopted after a four-hour debate - in which a succession of MEPs called for representation at the IGC - and two hours of voting on 23 amendments.

A resolution setting out parliament's priorities for the conference, including an enhanced role in EU decision-making, was adopted by 367 votes to 120, with 71 abstentions.

Sweden yesterday organised a show of concerted action by smaller members of the European Union in an attempt to force the integration of employment policy into the EU's ground rules at the IGC, writes Hugh Carnegie in Stockholm.

It invited all members of the EU except Britain, France, Germany and Italy to a two-day meeting in Stockholm which agreed that the IGC should incorporate job creation objectives to help tackle unemployment, currently affecting some 18m people. Only Ireland and the Netherlands were unable to attend, although they are understood to back the initiative.

"There is clear support in this group for amending the [Maastricht] treaty [to include employment provisions] and a dominant view is that a separate chapter on employment would be the best way of achieving it," said Mr Gunnar Lund, Sweden's representative on the "reflection group" which prepared the IGC agenda and the host of the Stockholm meeting.

Although opinions vary between the four biggest EU members on such an initiative, they have been hesitant about backing incorporation of employment provisions into the revised treaty. Mr Lund denied the meeting was intended to outflank the big countries on the issue, but he said Sweden wanted to ensure discussion moved on to the substantive issue of how to incorporate employment provisions into EU policy rather than to remain stuck on the question of whether it was desirable.

He was at pains to stress that the Swedish initiative was not meant to "interfere with" the conditions set for monetary union.

# Volga Germans feel chill wind from the Rhine

Katarina Ertl has hard, bony hands. As a young woman she worked on a kolchoz, a Soviet collective farm in Saratov on the banks of the river Volga in southern Russia.

Mrs Ertl, a feisty 63-year-old, arrived in Germany six months ago with her son and daughter-in-law. Like tens of thousands of others in the former Soviet Union or eastern Europe, she is an *Aussiedler* - an ethnic German who has the legal right to live in Germany even though her ancestors left the country in the 18th century.

"My ancestors lived there for centuries," she recalls in fluent German. "But I never felt at home. My home is Germany. It is my fatherland."

Last year 217,888 *Aussiedler* arrived in Germany - 208,409 of them from the former Soviet

Union, mainly Kazakhstan. Among the previous year's arrivals, 22 per cent were over 60 years of age, 37 per cent between 20 and 45.

For decades, it was taboo for any politician to question the automatic right of *Aussiedler* to settle in Germany. But in recent weeks, in an extraordinary development, Mr Oskar Lafontaine, leader of the opposition Social Democrats (SPD), has suggested it is time to restrict the automatic right of the *Aussiedler* to "return home".

He pointed to the additional burden placed on the social welfare system at a time when the official number of unemployed is more than 4.3m. Last year, the federal authorities allocated DM4bn (£1.7bn) to

cover retraining, social welfare costs and housing assistance for the *Aussiedler*.

Since 1990 more than 3.5m *Aussiedler* have settled in Germany. Successive post-war governments, bound by the Constitution, kept the door open to those ethnic Germans deported by Stalin, those who fled eastwards from Hitler and those caught on the wrong side of the political divide after 1945.

But the political climate is changing as the SPD and other parties use the *Aussiedler* debate as a populist weapon to win votes in pending state elections, and as a move towards the introduction of an immigration law.

Mrs Ertl has little interest in this political debate. "The politicians do not understand what

it's like to be a German who is not allowed to be German," she says. "They don't understand what we have gone through."

The Ertls, like thousands of other Germans, mostly farmers and craftsmen from regions including Baden-Württemberg and West Prussia, settled in the Volga region at the invitation of Catherine the Great - herself German-born - in the 1760s. In a move to develop Russia's backward agricultural sector, the empress granted the ethnic Germans privileges - including exemption from taxes - and considerable political autonomy.

The privileges were gradually eroded along with the ethnic Germans' status as free peasants in a country dominated by serfdom. "And then

came Stalin," said Mrs Ertl. The Volga Germans, like the Crimean Tatars, Chechens, Ingush and other minorities, were deported en masse to Siberia and Central Asia in 1941. "Stalin thought we were Nazi collaborators. We were deported to Kazakhstan. There, we were often called fascists. I never felt at home," said Mrs Ertl, who refused to give up speaking her mother tongue.

The parents of Paul Heiffuss had been deported to Kazakhstan as well. Paul, now 38, decided in 1991 he did not want to remain there. "We had no real problems. My wife, Lydia, was a bookkeeper and I was a locksmith. We had good jobs."

"But after the break-up of the Soviet Union, the Kazakh government became national-

## EUROPEAN NEWS DIGEST

# Spain cuts key interest rate

The Bank of Spain has reduced its key intervention rate to 8.50 per cent from 8.75 per cent in advance of a fall in the rate of inflation published yesterday. The reduction signalled the central bank's confidence that Mr José María Aznar, the centre-right leader, will be able to obtain a governing majority over the coming weeks after an inconclusive outcome to this month's general elections.

The cut brought the official rate down to its lowest level since the bank tightened its monetary policy following the peseta's 7 per cent devaluation a year ago.

The decision anticipated the publication of February's price index, which showed headline year-on-year inflation falling from 3.9 per cent in January to 3.7 per cent last month. Underlying inflation eased from 4.5 per cent year on year in January to 4.2 per cent last month.

Registered unemployment figures for February, also issued yesterday, showed a slight rise in the jobless total. An additional 5,124 registered as out of work last month to bring the total up to 2.43m - 148,585 fewer than in February 1995 and 15.44 per cent of the labour force.

Tom Burns, Madrid

# France freezes public spending

The French government yesterday announced a FF270bn (\$40bn) freeze in budgets allocated across all ministries for 1996 as part of its plan to maintain public spending targets. Mr Jean Arthuis (left), economics minister, said the freeze would cover all departments but would not affect civil servants' salaries, social expenditure or debt payments. He said it was imposed to maintain the budget deficit for 1996 at below FF227bn. The government also indicated yesterday that tax receipts for 1995 would fall by 0.4 per cent from the level of FF296bn collected in 1994. It said this reflected a substantial increase in tax deductions, including those for professional expenses and household help. By contrast, value-added tax receipts rose by 2.6 per cent last year before the effects of the 2 per cent increase in the tax.

Andrew Jack in Paris

# Mercedes plans third shift

Motor group Mercedes-Benz said yesterday it had reached a landmark agreement with its workforce in southern Germany which would permit the company to work three shifts instead of two and create the "conditions for production which is competitive on a global basis". In return for concessions from the workforce the company said it would guarantee 17,000 jobs at four plants near its headquarters in Stuttgart until 2000 "in so far as this is possible on the basis of current plans".

The agreement comes as management and workforce across Germany are discussing what can be done to safeguard jobs as part of the so-called "alliance for jobs", an initiative launched by the IG Metall engineering union last autumn. The alliance itself, however, seemed to have come to a standstill in recent days after employers complained that they could not create jobs if workers were pushing for pay rises of up to 6 per cent.

Union representatives at Mercedes said workers would also be prepared to give up their hourly five-minute break in so far as this was possible through such measures as group working. Mr Helmut Lense, the head of the employee council at the Untertürkheim plant, said the agreement was a model for other Mercedes plants in Germany.

Michael Lindemann, Bonn

# Mitterrand book ban may end

The book written by the late François Mitterrand's doctor, *The Great Secret*, will go back on sale in a month's time unless the former president's family lodges a new complaint, a French court ruled yesterday.

The Paris appeals court upheld an order in January banning sales of the book written by Dr Claude Gohlar two days after it was published, following a complaint from the Mitterrand family that it represented a violation of their privacy.

Mrs Danielle Mitterrand, wife of the late president, said recently that she had not intended the book to be banned - a tactic never adopted by François Mitterrand against critical books written while he was alive. The book said that Mitterrand's cancer had been diagnosed only months after his first election as president in 1981, and that latterly he was so obsessed with his illness that he could not carry out official functions.

Andrew Jack

# Slovenia rejects debt deal threat

The Slovenian government reacted angrily yesterday to the threat of legal action by the rump state of Yugoslavia (Serbia and Montenegro) aimed at halting its foreign debt deal with the so-called London Club of 400 commercial banks. It attacked the "irresponsible manoeuvres of the Serbian banks" and said that it would proceed as planned.

Slovenia is in the final stages of implementing an agreement with western banks which will extricate it from the problems of the debts amassed by former Yugoslavia and allow it to build an independent presence in international capital markets. On Tuesday the western banks received a letter from US lawyers representing the National Bank of Yugoslavia and three Serbian banks warning them against accepting the Slovenian bonds.

Kevin Doran, London

# World Bank to admit Bosnia

The World Bank has agreed to admit Bosnia-Herzegovina to membership before the country pays off its share of the former Yugoslavia's debts and arrears to the organisation.

Following the precedent set for admitting Bangladesh in 1976, Bosnia's arrears and other debts owed to the bank will be consolidated into a new 80-year loan from the organisation, probably exceeding \$500m. The World Bank traditionally does not participate in debt rescheduling agreements or allow countries to borrow from it if they are in arrears.

Bosnia is likely to become a member of the bank in the next few weeks, which should pave the way for it to receive another \$400m over the next four years from the International Development Association (IDA), the bank's soft-loan arm.

In spite of warnings, the bank had continued to violate banking regulations, especially in its credit and foreign exchange operations. The central bank placed the bank under supervision last year and provided emergency loans after it experienced liquidity problems.

The bank, based in Transylvania, was founded in 1991 by entrepreneurs, including members of the Romanian National Unity party, the junior coalition partner in the government. Until last year the bank was regarded as one of Romania's most successful private businesses.

Virginia Marsh, Budapest

# Players' union takes dispute with soccer authorities to the brink Italian football heads for strike

By Andrew Hill in Milan

Italy, where national pride and political fortunes often seem inextricably linked to soccer prowess, is heading towards its first ever soccer players' strike.

Soccer and sporting authorities meet today to Rome in emergency session in an attempt to avoid the abandonment of this weekend's fixtures in Italy's Serie A - the top division in the league, which is followed by soccer fans around the world.

Italian strikes in all sectors are often called off at the last moment, and the authorities point out that players have threatened not to turn out several times in the past, only to

be persuaded on to the field before the kick-off.

But Italy's soccer players' union, the AIC, seems bent on taking this dispute to the brink, after months of discontent about the league authorities' alleged failure to consult players about decisions affecting their livelihood.

Gianluca Vialli, the Juventus striker and AIC committee member, has been the most prominent backer of a hard line. The involvement of him and other highly-paid players has begun to draw the fire of critics, who are trying to create an atmosphere of popular discontent similar to that which surrounded the recent long-running strike of US baseball stars.

The authorities may now be

prepared to offer players a place on the national federation board, but the AIC has turned down an invitation to today's meeting.

The players have a wider list of demands, covering issues such as the application of the Bosman judgment by the European Court, freeing up the transfer of players across EU borders. The AIC wants the same principles to be applied to transfers within Italy.

Newspapers pointed out yesterday that a one-day strike could cost a star player like Roberto Baggio of AC Milan as much as £37m - quarter of his monthly salary - but it would also hit the pools system, which pumps money into the game.

Il Giornale, the Milan-based daily newspaper, yesterday ran two pages on the issue, mostly critical, under the headline "The millionaire strikers" - a pun which works only in English - drawing attention to Vialli's £8m-a-day (£3,380) salary. Il Giornale happens to belong to the brother of Mr Silvio Berlusconi, the former Italian prime minister who also owns league-leaders AC Milan.

The star players claim to be also standing up for their less famous colleagues in the lower leagues, including about 200 who have still not been paid by a special federation fund after their clubs went bankrupt two years ago.

The authorities may now be



Juventus star Gianluca Vialli: taking a hard line

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# Waigel tightens rein on public spending

By Michael Lindemann in Bonn

Mr Theo Waigel, Germany's finance minister, yesterday capped the amount of money government departments are allowed to spend without his approval. His move is an effort to counteract an increase of up to DM14bn (\$9.3bn) in the planned DM60bn budget deficit this year.

From tomorrow, spending decisions over a certain size will require Mr Waigel's personal approval. The threshold varies according to the type of expenditure, ranging from DM500,000 for administrative expenditure to DM5m for military procurement and construction projects.

The finance minister refused to say how much bigger the overrun on this year's budget deficit might be, but officials in Bonn have indicated that it could be DM14bn higher than the DM60bn forecast last autumn. Mr Waigel said he would only give new figures when the government reviewed tax revenues in May.

An increased budget deficit has become gradually more likely since the beginning of this year because the sudden slowdown in economic growth has depressed tax revenues while increasing welfare spending because of the dramatic rise in unemployment, which last week reached 4.27m or 11.1 per cent of the workforce, a post-war high.

The government has forecast economic growth of 1.5 per cent this year, down from earlier estimates of 2.5 per cent.

The cap on spending is a further embarrassment for Mr Waigel because it comes so early in the year, and just before important elections in three German states on March 24. The polls are billed as a test for Chancellor Helmut Kohl's government about half-way through its current term.

Mr Waigel was forced to introduce a similar cap on all expenditure above DM1m last October, a measure which saved the federal budget



Waigel: talking tough during a Bundestag speech yesterday

DM1.7bn. The opposition Social Democrats (SPD) accused Mr Waigel of "cheating the voters" by failing to introduce a supplementary budget, a step which would give parliament a proper insight into the state of the federal budget.

"Stop the game of hide and seek and lay your cards on the table," Ms Ingrid Matthäus-Maier, the SPD's budget spokeswoman, told Mr Waigel during parliamentary question time yesterday afternoon. The finance minister said he would persevere with what he described as "precise and steady" financial policies designed to ensure that Germany meets the 3 per cent budget deficit target permitted under the Maastricht criteria.

However, the criteria include the entire public sector deficit, including expenditure at state and municipal level. Mr Waigel yesterday announced plans to offer the state's 74 per cent stake in the mining company, Saarbergwerke, to Ruhrkohle for a symbolic one D-Mark to help both companies to develop further and to create competitive jobs. Reuters reports from Bonn. He expected annual savings of around DM40m from the merger of Saarbergwerke and Ruhrkohle. It would also strengthen employment prospects for the region, said Mr Waigel. The merger would guarantee that government aid would be better utilised towards helping create jobs.

# Yeltsin widens net for scapegoats

By Chrystia Freeland and Robert Corzine in Moscow

Russian President Boris Yeltsin's search for political scapegoats appeared to intensify yesterday - just three months ahead of presidential elections - amid rumours that the defence minister, General Pavel Grachev, could soon be sacked and new allegations that leading reformers could be guilty of corruption.

Mr Anatoly Chubais, the architect of Russian market reforms who was dismissed from his post as deputy prime minister earlier this year, is again emerging as one of the chief victims of the new round of accusations.

In an internal Kremlin document, Mr Chubais was accused of verbally ordering that gov-

ernment funds be channelled through commercial banks. The private banks allegedly delayed onward payment, enriching themselves but at the same time creating the tremendous wage arrears that are one of the biggest sources of the government's low popularity.

The charge was made last month in a report for Mr Yeltsin prepared by Mr Nikolai Yegorov, the president's recently appointed hardline chief-of-staff.

Mr Evgeny Yasin, the minister of the economy and one of the few liberals left in the government, yesterday confirmed that Mr Yegorov's brief had accused leading reformers of corrupt actions. But he said that greater discipline within the government was needed

and did not see Mr Yegorov's report as the beginning of a witch-hunt.

However, Mr Yasin, who was one of Mr Chubais' most reliable allies in the cabinet, also conceded that the Kremlin might be forced to make sacrifices to avert a communist victory in the the June presidential ballot.

"The stakes are so high that the president must take decisions even if they are unpleasant for specific people," Mr Yasin said.

Gen Grachev, the minister of defence, is emerging as another whipping boy. A senior presidential adviser yesterday offered little support for the beleaguered general, telling reporters that he could "see 50 arguments for and 50 arguments against" sacking

him. That lukewarm endorsement is likely to raise further questions about the future of Gen Grachev, who, as one of the architects of the disastrous war in Chechnya, has come under intense fire from political opponents who have suggested that the minister should be dismissed to improve Mr Yeltsin's re-election chances.

Itar-Tass, the state-controlled news agency, reported earlier this week that "Boris Yeltsin is being told more and more frankly that he cannot win the presidential elections with Grachev dragging the weight of Chechnya".

That political sideswipe followed a more direct hit from Mr Oleg Soskovets, the influential deputy prime minister who said over the weekend

that an increasing number of advisers were urging Mr Yeltsin to sacrifice his unpopular defence minister ahead of the June presidential ballot.

The cabinet fighting has been intensified by growing fears within the government that the communists might win the presidential elections.

"I wouldn't say it (a communist victory) is inevitable, but the likelihood is pretty high," Mr Yasin said.

"We have to make very great efforts to win," he added.

Earlier this week, Mr Boris Nemtsov, the governor of Nizhny Novgorod region and one of the country's most prominent reformers, said a communist triumph was "unavoidable".

# Milosevic's long march to Socialism

By Laura Silber in Belgrade

Serbian President Slobodan Milosevic is nothing if not flexible. Having played the card of Serb nationalism, then presented himself as a peacenaker in Bosnia, he has now donned another mantle from his past - the ideological Socialist.

Aided by his wife Mirjana Markovic, who never abandoned the Marxist camp, Belgrade's strongman is renouncing the "nationalist excesses" of the past and praising China as a model of authoritarian Socialism. And to judge by the latest signals from the shadowy world of Serbian politics, this tactic seems, so far, to be working.

This month has seen two of the biggest and noisiest political events in Belgrade since the collapse of Communist Yugoslavia: a congress of Serbia's ruling Socialist party, and the first serious

anti-government rally since 1962. While holding any protest in this toughly policed state demands boldness and ingenuity, observers were struck by the smallness of the crowd - little match for the confident mood of the Socialist

posts changed hands - with communists ousting nationalists.

In style as well as content, the gaudy and lavish congress - entitled "Serbia 2,000" - a step into the new century - was intended to celebrate the presi-

## 'We want Serbia's flag flying at the European Parliament, not the Chinese flag in Belgrade'

congress a week earlier. About 15,000 people, chanting slogans like "red bandits" and "Slobo, Saddam" took part in last weekend's demonstration while riot police stood by.

This compared with crowds of 70,000 for anti-Milosevic rallies four years ago. The president, by contrast, seemed more confident than ever at the Socialist congress, where he ensured that about two-thirds of the party's leading

ment's journey back to the future. Instead of playing the Serbian patriotic songs he once favoured, Mr Milosevic and his flock stood to attention for the Communist hymn, the Internationale.

Ms Markovic laid the ground for her husband's about-turn. She is leader of the Yugoslav United Left (JUL) movement, a curious but powerful mixture of Communist industrial managers, sanc-

sors. JUL does not have a single seat in parliament but has provided more than half the ministers in government.

Opposition parties hold nearly half the 250 seats in parliament, but have been marginalised by the regime's control of the media and business. The most popular regime in the slanted state press is Beijing. This new authoritarianism has dashed any hope among Belgrade liberals that peace in Bosnia, and the lifting of UN sanctions, would pave the way for their country's re-entry into the European mainstream.

Mr Vuk Draskovic, one of the more credible figures in Serbia's struggling opposition, summed up the feelings of his liberal compatriots when he told last weekend's rally: "We want the Serbian flag flying in front of the European Parliament, not the Chinese flag in Belgrade." For now, the former seems even less likely than the latter.

# Squillante affair link with Berlusconi camp

By Robert Graham in Rome

The ramifications of Tuesday's arrest of a senior Rome judge by Milan anti-corruption magistrates spread yesterday to engulf key figures linked to former Premier Silvio Berlusconi and his Forza Italia movement.

The linkage of the affair to the Berlusconi camp has injected a highly unpredictable element into the campaign for the April 31 general elections just getting under way.

This in turn has led to accusations of political motivations behind the arrest on as yet unspecified charges of corruption of Renato Squillante, 71, who was in charge of all the judges of first instance in the Rome judiciary.

Mr Squillante, one of the best known figures in the Rome judiciary with contacts in the political establishment, cinema and sport, is alleged to have accepted bribes to alter the course of justice in at least two cases in 1987 and 1988. Mr Squillante's lawyer said yesterday he was still unaware of the

facts behind the accusations.

In a separate, but connected move, Mr Cesare Previti, defence minister in the Berlusconi government and the Rome lawyer for the former premier, lodged a formal complaint in the Rome courts both at Mr Squillante's treatment and against reports that he too was under investigation in the same case.

Mr Previti, a friend of Mr Squillante, said reports of his alleged involvement were linked to the onset of the election campaign.

Mr Previti said he had yet to be notified of being under investigation. He denied that Mr Attilio Pacifico, a lawyer arrested on Monday on charges of aiding and abetting in the Squillante affair, had ever worked in his law firm.

When the Berlusconi government was formed in May 1994, Mr Previti sought to be justice minister. He is already under investigation by Brescia magistrates for allegedly seeking to undermine the activities of Mr Antonio Di Pietro, the best known of Milan's

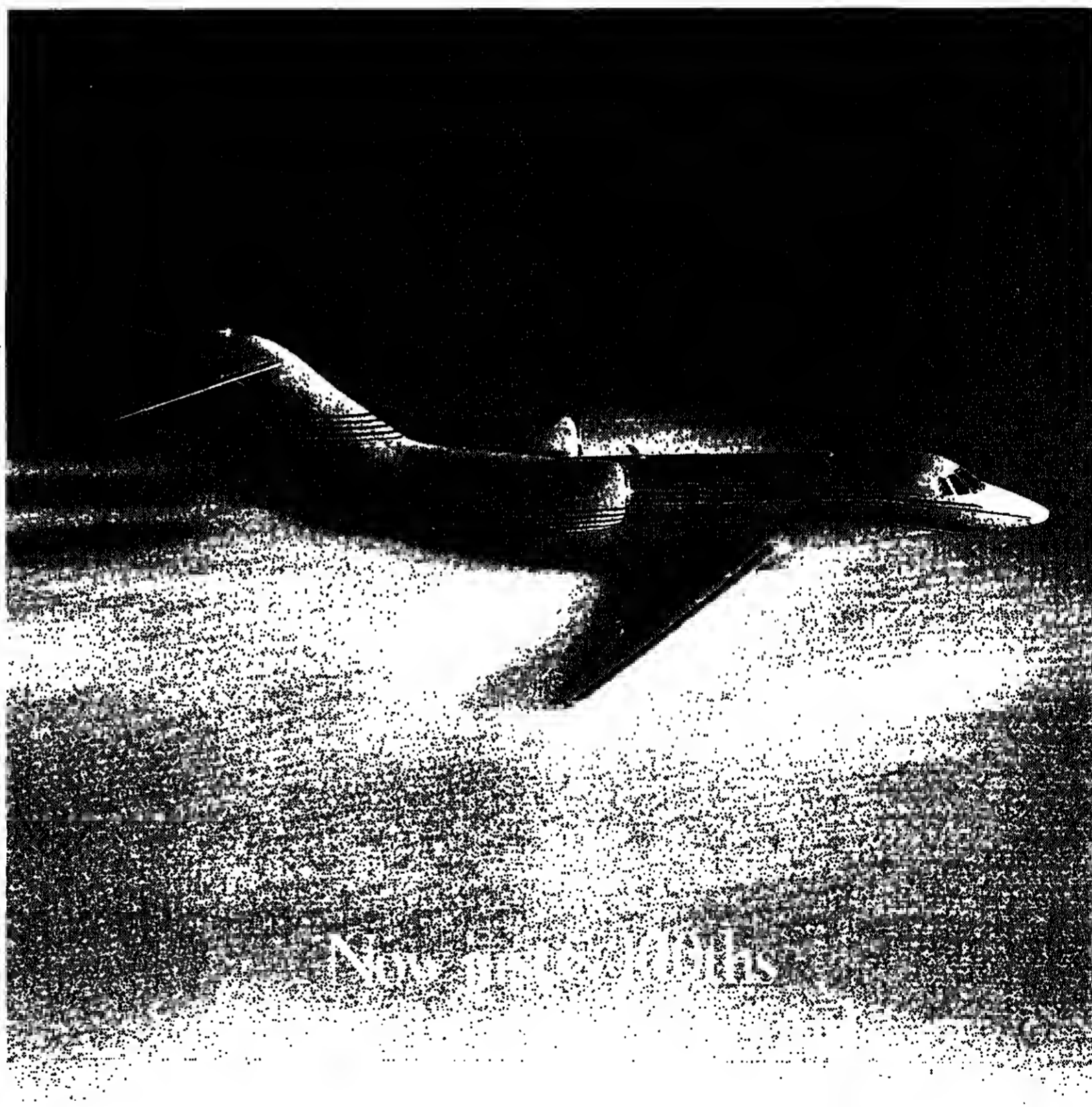
anti-corruption magistrates.

Since the corruption scandals were first broken by Milan magistrates in 1992, leaks about the charges have quickly filtered into the press.

On this occasion, these channels have been silent, except to leak Mr Previti's alleged involvement and cite Ms Stefania Ariosto, acknowledged companion of Mr Vittorio Dotti, head of the Forza Italia parliamentary group and a top lawyer for Mr Berlusconi's Fininvest business empire, as a key witness in the Squillante affair.

Ms Ariosto yesterday confirmed in an interview with Ansa, the national news agency, that she had given evidence to Milan magistrates. She said she had received numerous threats and for the past eight months had been given special police protection.

Yesterday, there was no suggestion Mr Dotti, her companion of eight years, was involved in her depositions to magistrates even though he is a political rival of Mr Previti within Forza Italia.



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# Maker of Chesterfield cigarettes breaks ranks and offers a deal to anti-tobacco lawyers, says Richard Tomkins

## First chink in tobacco manufacturers' armour

Most figures to do with the US tobacco industry tend towards the mind-boggling. Smokers in the US bought 455bn cigarettes in 1994, the last full year for which figures are available; domestic cigarette sales that year were worth \$45bn; and scientists estimated that more than 400,000 US citizens died of tobacco-related illnesses.

And how much would the tobacco industry have to pay out if it acknowledged responsibility for smoking's effects on society? So far it has never given out a penny in damages: but the total value of lawsuits currently being brought against the industry runs into tens of billions of dollars.

Until now, US tobacco companies have stood side by side in vowing to fight and defeat every lawsuit brought against the industry. But in an historic move yesterday, Liggett, maker of Chesterfield and a range of cut-price, private label cigarettes, said it was ready to break ranks and cut a deal with anti-tobacco lawyers.

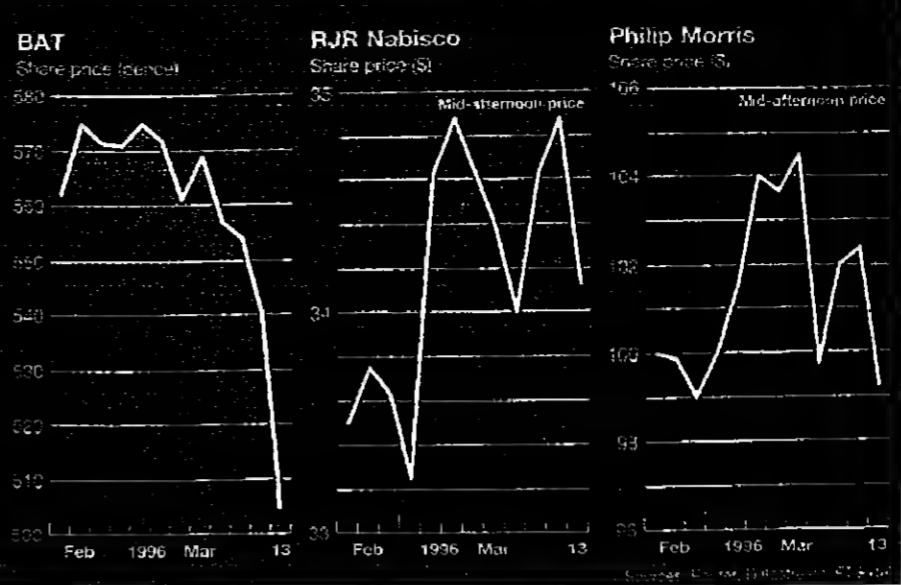
In the past, cigarette companies felt in no need of a deal because juries took their side when smokers sought compensation for health damage. The health hazards associated with smoking were so well known, juries said, that anyone who took up the habit automatically accepted the risks.

But the industry now faces a new type of lawsuit. In the Castano case, named after one of the plaintiffs, lawyers are seeking compensation on behalf of all present and former smokers not for health damage, but for the costs of

### The proposed settlement: tobacco shares hit



- The settlement will release Liggett from claims by a nationwide class of smokers who sued in pending federal court in Louisiana, the so-called Castano case, and claims by a nationwide class of smokers in a suit in Florida.
- The nationwide Castano class will receive up to \$500 million in lifetime payments each year, up to a maximum of \$50m a year, for the next 25 years.
- Settlement funds resolved by the class will be used to pay for stop-smoking programmes.
- Smokers and Liggett agreed to comply with proposed reform US Food and Drug Administration regulations on smoking by children and adolescents. These include a prohibition on the use of cartoon characters in tobacco advertising and on the use of promotional materials where minors are present.
- Smokers and Liggett will have the right to terminate the settlement if the remaining defendants succeed on the merits in the case or succeed in obtaining the class action.
- As a result of the settlement, Brookes and Liggett are unable to participate in any future litigation that could reduce their profits and that of any future affiliate to the plaintiffs in certain circumstances.



their addiction - including a refund of all the money they have spent on cigarettes.

Separately, another novel approach is being tested by five states that are suing the tobacco industry for the costs of treating smoking-related diseases under public assistance programmes such as Medicaid.

Liggett's proposed deal would settle both types of litigation. In the Castano case, the company has signed a provisional agreement with the plaintiffs' lawyers to pay out 5 per cent of its pre-tax profits up to a maximum of \$50m a year for

the next 25 years. The money will go not to individuals, but to programmes aimed at helping people to stop smoking.

In the case of the states, the company is negotiating a deal under which it will pay 2 per cent to 7 per cent of pre-tax income towards their smoking-related healthcare costs over the next 24 years, the precise figure depending on how many states join the settlement. There will also be an up-front cash payment.

Significantly, the same terms will apply if Liggett should merge with any other company that has less

than 30 per cent of the US market. This would exclude Philip Morris, which is much richer than the other companies and would probably be expected to pay out more; but it would include R/JR Nabisco, the second biggest US tobacco company.

Explaining the move yesterday, Mr Bennett LeBow, the US financier who controls Liggett through his investment vehicle Brooke Group, said: "The tobacco industry has lived for too long with the possibility of financial catastrophe from product liability lawsuits that could destroy the industry."

However, industry analysts saw the strategy as a clear attempt by Mr LeBow to improve his chances of seizing control of R/JR Nabisco and spinning off its food business, a strategy he has been pursuing since last year.

R/JR Nabisco has consistently argued that a spin-off of the food business cannot be achieved at present because anti-tobacco plaintiffs with litigation pending against the group would take legal action to prevent it, claiming that the group was trying to protect valuable assets.

In principle, Mr LeBow's move appears to nullify those arguments because the threat of litigation would disappear if R/JR Nabisco were to sign up to an out-of-court settlement. In addition, the plaintiffs have agreed that if R/JR Nabisco joins the deal, they will not seek to block a spin-off of the food business.

If Liggett and R/JR Nabisco were to sign up to a deal, other companies could come under pressure from their shareholders to follow suit. One calculation they would certainly be obliged to make is whether it would be cheaper to accept a settlement along Liggett's

lines than to carry on fighting the lawsuits. Their annual costs in legal fees, although not in the public domain, are thought to be vast.

However, a settlement would also carry big risks. On the plus side, the terms of the agreement in the Castano case would protect Liggett from all future addiction-based claims. But there would be nothing to stop lawyers thinking up new grounds for lawsuits against the industry, and its defences would be weakened once the principle of product liability had been established.

Perhaps not surprisingly, most of the big US tobacco companies were firmly rejecting the idea of a settlement yesterday. Philip Morris said: "We remain confident in the strength of our litigation position, and we intend to fight and win all of the cases in which we are involved."

Brown & Williamson, BAT Industries' US subsidiary, said Liggett's settlement was "clearly based not on legal merits but on its continuing merger battle with RJR".

Ms Diana Temple, a tobacco industry analyst at Salomon Brothers, the Wall Street investment house, predicted that Mr LeBow's move might even have weakened his chances of winning control over R/JR Nabisco. "He will be perceived as willing to trade away a percentage of RJR's profits and destroy the industry's decades of take-no-prisoners litigation approach for his personal gain," she said. *Editorial Comment, Page 13*

## Reforms may be watered down in Brazil

By Angus Foster in São Paulo

The man overseeing Brazil's troubled social security changes wants to strip the reforms of nearly all their controversial points in the hope of winning speedy approval in Congress.

The government has yet to make a decision but if it approves the watered-down version it is likely to be criticised for backing down on its commitment to modernise Brazil's economy.

Mr Michel Temer, the congressman put in charge of negotiating the reform after a government-approved package of changes was rejected last week, said some proposals were too controversial to pass. He would push for the approval of a "possible" rather than "desirable" reform. Fernando Henrique Cardoso has said since proposing social security reform over a year ago that change was needed to stop costs rocketing.

The public-sector pension system is inequitable, paying huge pensions to special interest groups such as judges and congressmen and allowing early retirement. For example,

senate president José Sarney receives a pension of more than \$15,000 a month from his previous government jobs, against the minimum wage of \$100.

Mr Temer said reforms of the public sector rules were unlikely to pass in Congress, and suggested a two-year delay. In that time, rules governing the social security system, which are included in the constitution, should be replaced by normal legislation, which needs fewer votes to amend in Congress. Mr Temer proposed to allow continuation of special retirement rules for judges and school teachers, some of whom can retire after only 25 years' work.

Mr Cardoso may not respond to the proposals before returning from Japan on Friday. Following last week's defeat, the government wanted to put the social security reforms back on track quickly but was hoping Mr Temer's proposals would be more ambitious.

Foreigners hope Mr Cardoso's popularity will help him confront Brazil's Congress. If he backs down, tax and civil service reforms may be in doubt.

## Zedillo brings his caudillos to heel

The era of the Mexican local party boss is drawing to a close, writes Leslie Crawford

For as long as Mexicans can remember, the state of Guerrero on the Pacific coast has been ruled by the Figueroa clan. Grandfather Figueroa was a warlord during the Mexican Revolution. Figueroa senior governed his home state during the 1970s, where he is remembered mainly for crushing an armed peasant uprising. His son, Rubén Figueroa Alcocer, inherited the mantle in 1993.

The dynasty was toppled by President Ernesto Zedillo on Tuesday with the resignation of Governor Figueroa, who is suspected of ordering a massacre of leftwing peasants in Guerrero nine months ago.

Mr Figueroa's capitulation represents an important, if tardy, victory in President Zedillo's campaign to transform his rebellious lieutenants into law-abiding citizens.

The governor's stubborn attachment to power - in the face of evidence that seemed to link him to the killings - had begun to undermine Mr Zedillo's authority. For the remaining 26 governors of the ruling Institutional Revolutionary Party (PRI), Mr Figueroa's "definitive leave of absence" - the Mexican euphemism for summary dismissal - has sounded a warning to begin running their states more like public servants and less like overlords of private fiefdoms.

An investigation by the National Human Rights Commission, a federal government agency, subsequently con-



Zedillo: the stubbornness of a dynasty was seen to be undermining his authority

cluded that the weapons had been planted on the corpses, that important evidence had been destroyed by the authorities, and that videotape of the shootings had been doctored. The commission recommended the dismissal of several senior officials in Mr Figueroa's government, including the state attorney general and the chief of police, although it stopped short of incriminating the governor.

Mr Figueroa was ordered to appoint an "independent" prosecutor to investigate the inci-

dent but the inquiry limped along while the widows of the victims reported death threats, and leaders of the leftwing Revolutionary Democratic Party (PRD) continued to denounce cases of political assassinations, torture and "disappearances" in Guerrero - a state wracked by land conflicts and the violence of drug traffickers.

President Zedillo chose not to intervene in the affair, arguing that it was a case for the state judiciary to resolve. Last week, however, after two tele-

vision networks had screened an unedited 16-minute videotape of the massacre, horrifying the nation, Mr Zedillo ordered the Supreme Court to take over the investigation. In a final act of defiance, Mr Figueroa orchestrated several "spontaneous" demonstrations in his support at the weekend. On Tuesday he resigned and was replaced by Mr Angel Aguirre Rivero, the president of the Guerrero state PRI, who owes his political career to the Figueroas. Mr Figueroa's departure is expected to weaken an alliance of hardline PRI governors who resent Mr Zedillo's attempts to instill greater accountability in a party that has been in power for 67 years.

In the oil-rich state of Tabasco on the Gulf Coast, Governor Roberto Madrazo has been fighting for his political life following allegations that he spent \$70m - 60 times the legal limit - in his election campaign two years ago.

With the defeat of the governor of Guerrero, Mr Zedillo stands a better chance of ending national opposition parties to talks on modernising Mexico's political system. The machinations of rebel governors, however, and the hostility of much of the ruling party to changes that diminish their powers of patronage, will continue to make the president's task a difficult one.

12 Month	12 Month	12 Month	12 Month
ended	ended	ended	ended
1997	1996	1995	1994
0000	12.38	9.11	8.11
0100	10.45	18.45	20.83
0200	11.22	12.22	12.74
0300	11.22	12.17	12.74
0400	11.22	12.17	12.74
0500	11.22	12.17	12.74
0600	11.22	12.17	12.74
0700	11.22	12.17	12.74
0800	11.22	12.17	12.74
0900	11.22	12.17	12.74
1000	11.22	12.17	12.74
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2100	11.22	12.17	12.74
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2400	11.22	12.17	12.74

## Senator Bob Dole has now won 20 Republican primaries in a row

# Faltering Forbes campaign on critical list after Stupor Tuesday

Only Mr Steve Forbes was prepared to admit the imminence of political mortality yesterday in the wake of Senator Bob Dole's clean sweep of the seven Republican primaries held on Tuesday.

But the cold fact is that election politics now enter a period approximating suspended animation for a good four months. The front-loaded primary season is to all intents and purposes over and the party conventions are not being held until the second half of August, much later than usual to avoid conflict with the Atlanta Olympic Games.

What suspense there is now centres on how the majority leader and President Bill Clinton stake out the ground of their political and personal rivalry ahead of their presumed confrontation in November.

On the more immediate front, Mr Forbes, the magazine publisher, who could only manage one second place finish (in Florida), said that without "a major break" in one of the four Midwest primaries next Tuesday, "this campaign will have to come to a conclusion."

That was enough of a cue for

Mr Pat Buchanan to welcome the prospect of a straight race with the majority leader.

"Mr Dole is finding out that 10-50 per cent of the Republican Party wants us to stay in the race and does not want Bob Dole as the nominee," the conservative commentator said.

## The focus now shifts to the rivalry between Senator Dole and President Clinton ahead of the November election, reports Jurek Martin

This bravura conceals some wishful thinking. Mr Buchanan, now attracting smaller crowds and reduced to commercial flights rather than a chartered campaign jet, must know that few supporters of the free market, pro-choice Mr Forbes have much sympathy for his own protectionist, anti-abortion positions.

In interviews published yesterday, Mr Dole seemed positively to welcome the fact that he would soon be able to return mostly to Washington congressional business and the task of planning his battle against Mr Clinton. This will

also relieve pressure on his primary campaign spending, already close to its permitted \$3m ceiling.

The California primary on March 26 should give him the handful of delegates he will probably then need to nail down the nomination. A withdrawal by Mr Forbes

in both Texas and Florida, the largest contested states, he scored 56 per cent, with his best result proving to be Mississippi, with 61 per cent. Mr Buchanan finished second everywhere but Florida.

The downside came in the form of a very low voter turnout, which had been

predicted after Mr Dole's victories on the previous 10 days and which had given the primaries the nickname of Stupor Tuesday. Exit polls also demonstrated muted enthusiasm for him as a presidential candidate.

He must remedy that in the coming weeks, mostly from his Washington base and mostly by focusing his fire on the man in the White House at the other end of Pennsylvania Avenue.

The personal relationship between Mr Dole and Mr Clinton, mostly forged in their protracted budget negotiations, is quite good. The majority

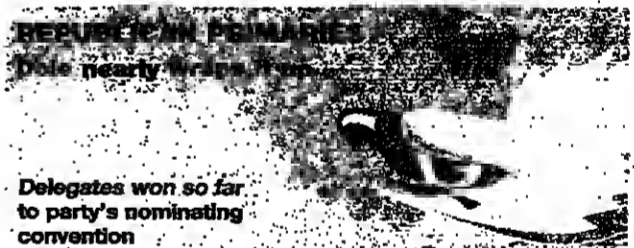
leader conceded in his interviews that Mr Clinton had "quite a good grasp of the issues" and, like himself, preferred compromise, "no bad thing in my book." He added: "We don't scream and holler at each other."

Mr Dole likes the cut and thrust of Washington. As he told the New York Times, "we have about 80 legislative days left and a lot to do - balanced budget, term limits, line-item veto, Medicare, Medicaid. In this atmosphere, it's going to be difficult to get it done."

He thought a balanced budget agreement that "lets him win, lets us win, just a little each" was achievable. But, as RW Apple pointed out in the New York Times, there is an inherent risk in the majority leader's apparent approach.

"Mr Dole will have to find some way to deal with Mr Clinton on legislative business in private while making the case in public that he should be replaced. That is not an easy circle for anybody to square."

Still, having proven himself, after some early stumbles, on the campaign trail, Mr Dole is back on the familiar streets where even his fractured syntax is comprehensible.



**Bob Dole**  
761  
"The only Tuesday that will be more super than this one is Tuesday November 5 (election day)"

**Pat Buchanan**  
84  
"Why give up a battle of ideas because you're behind in the delegates?"

**Steve Forbes**  
62  
"If we don't have a win or something, closely study to a win, time is running out... that's obvious"

- Next Tuesday (March 19) 229 national convention delegates votes are being sought in four big midwestern states: Illinois (69), Michigan (57), Ohio (67), Wisconsin (36).
  - The following Tuesday (March 28) 105 delegates are at stake in California, the nation's most populous state, and voters Dole could well gain enough delegates to push his count over the 996 needed to secure his nomination. Votes also take place in Washington state (99) and Nevada (14).
  - April/May Primary elections continue in a series of states: Iowa (14), New Hampshire (14), South Carolina (14), Virginia (14), North Carolina (14), Texas (14), Florida (14), and California (14).
  - August 12-16: Republican party national nominating convention, San Diego, California.
  - August 28-29: Democratic party national nominating convention, Chicago.
  - November 5: Election day.
- Source: AFP, Reuters

Japan's for Brazil

win bottle

Maitland

WORLD TRADE NEWS DIGEST

# Japan's \$1bn for Brazil

Japan's Export-Import Bank yesterday announced more than \$1bn of untied financing for Brazil, mainly for infrastructure projects. The announcement coincided with the visit to Japan to persuade Japanese companies to resume investment in Brazil.

The financing is split between four projects. The biggest disbursement of \$450m will form part of a \$1.2bn loan, also backed by the Inter-American Development Bank and Brazil's transport ministry, to modernise the road linking the industrial centre of Sao Paulo with the country's south. Known as the "highway of death" because of its poor condition, the road runs to the state capitals of Paraná and Santa Catarina and lies on one of the main routes from Sao Paulo to its chief Mercosur customs union partner, Argentina.

A \$300m credit line will be made available to Brazil's National Development Bank (BNDES). A further portion, worth \$288m, is in the form of financing for a metro system in the northern city of Fortaleza. Financing of \$48m will be available for roads in Tocantins state, one of Brazil's poorest.

The Exim bank is also talking to Companhia Vale do Rio Doce, Brazil's biggest mining company, about a \$300m refinancing of loans for the Alumina alumina project. The project, stalled for several years because of financing problems, started operations last year and is due to reach its capacity of 1,100,000 tonnes a year in 1997.

Mr Cardoso was also due to meet Mr Nobuhiko Kawamoto, president of Honda. The company is one of several Japanese car makers eyeing an entry into Brazil's rapidly growing car market.

Angus Foster, Sao Paulo

## Manila woos foreign investors

The Philippines government yesterday said it would speed up legislation to increase foreign investment in the country including protection of intellectual property rights, opening the retail sector to foreign competition and permitting foreign investment houses to own local mutual fund companies.

The government also unveiled tax incentives to encourage more multinationals to choose the Philippines as their Asia-Pacific headquarters and pledged to scrap the much-criticised Home Consumption Value method of calculating tariff changes on imports. Hoping to pressure from the US and the European Union the Philippines would shift to the less punitive Transaction Value form of calculation which is the international norm.

Among inducements for companies to relocate their headquarters to Manila was extension of visas from one to three years, 10 per cent income tax rates, incentives for companies to set up management training centres in the Philippines and repeal of the uniform value currency act.

Last month Citibank said it would move its Asian training centre from Singapore to Manila citing the improved incentives.

Edward Luce, Manila

## ABB wins Russian power deal

ABB Asea Brown Boveri, the world's largest power engineering group, has won a \$100m contract from Omskenergo, an electric utility in Omsk, to refurbish its HPP-3 power station in co-operation with Russian power engineering companies. The project involves replacing an energy wasting, oil fired plant in a polluted part of Russia with new technology 65MW gas turbines.

"It is good for the environment and good for the Russian economy. It will pay for itself in less than two years," said Mr Percy Barnevik, ABB chief executive. The turbines will be made at ABB Nersky, a joint venture in St Petersburg. The generators will be by SIA, another St Petersburg company in which ABB has a stake.

Ian Rodger, Zurich

# Vodka move 'breaks spirit of trade deal'

By Emma Tucker in Brussels

The European Commission yesterday strongly condemned Russia's decision to raise minimum import prices for vodka from the EU just six weeks after an EU-Russia trade agreement came into force.

Brussels said the "discriminatory" move could undermine EU support for Russia's application to become a member of the World Trade Organisation. "This development comes as

a great surprise as this steep increase in minimum price marks a clear break from the spirit and purpose of the trade agreement with Russia which entered into force on February 1, 1996," the Commission said.

Russian vodka makers have been suffering from a flood of foreign vodka imports, mainly from the former Soviet states. The move to raise minimum import prices is viewed as an attempt by politicians to court public support before

elections in June.

As of yesterday the minimum price for each litre of imported vodka from the EU rose to \$8.20 compared with \$3.80 per litre on imports from former Soviet republics. In the first eight months of this year, the EU exported Ecu150m (\$187m) of vodka to the EU.

A Commission spokesman warned that the EU might have to review its support for Russian applications to join not just the WTO, but also the

Organisation for Economic Co-operation and Development.

"We know that Russia would like to join the OECD and the WTO and the Commission is basically positive," he said. "However, these kind of unilateral measures are not compatible with that approach."

Brussels added that the move also sent out a poor signal to foreign investors, already cautious about investing in Russia. Last month a lengthy nego-

tiated interim trade agreement between the EU and Russia came into force. It aimed to place trade links between the EU and Russia on a new and stronger footing as part of efforts to underpin the reform process in Russia.

The EU won improved access to the Russian market for goods such as cars and alcoholic drinks while a range of import restrictions were curtailed. Russian exports were granted better access to the EU

by the abolition of key restrictions and the curtailment of anti-dumping measures and safeguard clauses.

The agreement is supposed to lead to a free trade area between the EU and Russia, and improve trade in services and capital.

Mr Hans van den Broek, EU commissioner responsible for relations with the former Soviet Union, will discuss the Russian measures in Moscow next week.

# Finding partners in the Mormon state

British IT executives found an unexpected brotherly reception in Utah, reports Christopher Parkes

The scales fell from David Holmes' eyes during a fleeting trip to Utah last week. Despite the torture of a 20-hour budget-class flight from London, via San Francisco, the managing director of Paragon Software Systems found himself feeling unexpectedly comfortable in the alien confines of the Mormon state.

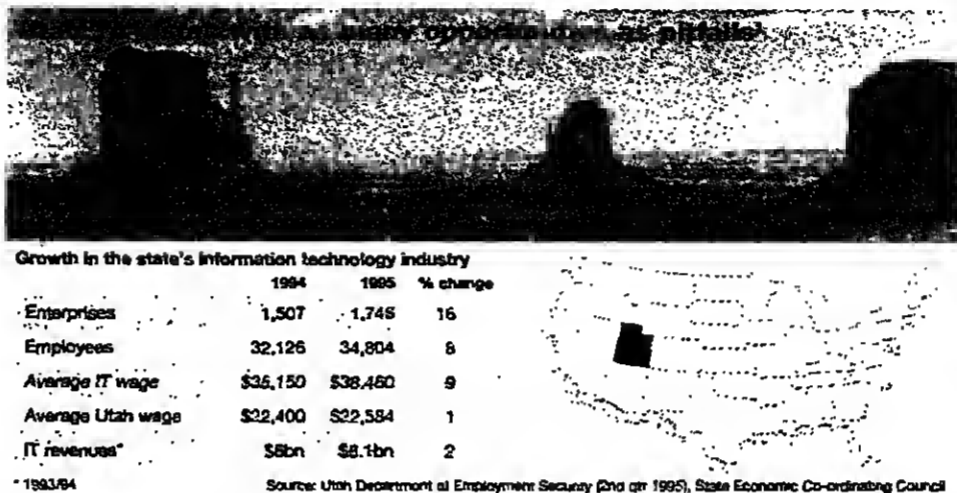
"People always told me I'd lose my shirt if I tried to do business in the US," he said. That was still possible. But within a day of his arrival at a corporate matchmaking seminar in Salt Lake City he found himself contemplating a vista dotted with at least as many opportunities as pitfalls.

"Just being here has made me feel right about the US. The people I've met have a culture and a skills base similar to our own. They are almost like brothers in the information technology world. That's the point I'd missed when I'd thought about the States before."

One of 50 or so British executives from mainly small and medium-sized IT companies travelling courtesy of the UK government, he had been pitched headlong into a round of one-on-one meetings with potential business partners from Utah's flourishing IT industry.

Hidden behind the natural barriers of mountains, deserts and the Great Salt Lake, and long obscured by the exclusive nature of the Mormon religion, the state is home to one of the fastest growing economies in the US.

The number of companies in the IT sector grew 16 per cent last year to 1,750, its workforce increased 8 per cent, and revenues exceeded \$6bn. Perhaps



more significantly, Salt Lake City was ranked by Forbes ASAP magazine - according to criteria including "high-end brain power" and "entrepreneurial zest" - as the best place in the US for nurturing information age businesses.

But forging successful partnerships is a matter beyond the control of legislators and others routinely responsible for fostering enterprise. The point was heavily underscored by the presence at the seminar of senior executives from Utah's own computer networks specialist Novell, newly and expensively divorced from WorldPerfect.

Mr Steve Markman, Novell's second-in-command, said in a rueful aside: "The issue is not finding partners: it's sticking with them."

Still, the expenditure of effort and management time involved in finding the right adhesive - be it complementary technology or distribution

patterns - was the best guarantor of commercial success, he said. Rather than acquiring one another, high-tech companies were better advised to barter and share through partnerships the inventiveness, vision and energy common in the sector, especially among the smaller players.

Even then, he suggested, the risks involved in anything less than a bargain where all partners shared equal benefits could be daunting. "You can find yourself competing with your own technology boxed in someone else's box," he warned.

Boxes of a different order were among the hazards previously encountered by Mr Jeremy Peckham, managing director of Vocals, a fast growing Cambridge-based specialist in voice-operated telephony.

"The tick-box partnerships are the ones that don't work," he said. A man who spends more than half his time on business development, Mr Peckham had had more than enough experience of companies looking to talk their way into such arrangements.

Rather than seeking active deals, they were interested only in being able to "tick" as many "boxes" as possible on their corporate prospectuses for purely cosmetic purposes. This was one way of pretending to third parties that they had command of a range of technologies or at least links with reputable specialist partners.

Despite already having signed up one partner in New York, and continuing talks with a handful of others turned up by a Silicon Valley consul-

tant, Mr Peckham, who last year did 80 per cent of his business overseas, was in Utah doggedly pursuing his target: a wide launch this year in the US - "the big me for us".

Others, with less experience and more modest ambitions found success closer to hand. Mr Tony Coultas, sales and marketing manager for Imperial Computer Consultants of Grimsby, went home well pleased with his first US sale. The \$3,000 sale of a programme generator for hand-held computers also marked a breakthrough for Salt Lake's Radix company which had been looking for a solution to a particular problem for three years.

Radix, which routinely sells large volumes of portable machines to utilities for functions such as meter-reading, had been turning away small-volume orders from other potential buyers because it had no cost-effective means of writing a wide variety of individual software programmes.

In future, Mr Coultas said, Radix would be able to fill the hardware orders by including his product as part of the package. The irony was that Imperial had previously made indirect but hitherto unfruitful contact with Radix through an intermediary. As other participants stressed, one of the most useful features of the seminar for Mr Coultas proved to be the opportunity for face-to-face contact at top level.

Mr Darryl Siewart, president of Utah's Dune Microsystems, was unsure if he had made any immediately profitable contacts. But he had met as many

as possible of the UK delegation. "This is really CEOs talking to CEOs," he said. "Spending even five minutes with each company at that level creates a lot of potential synergies."

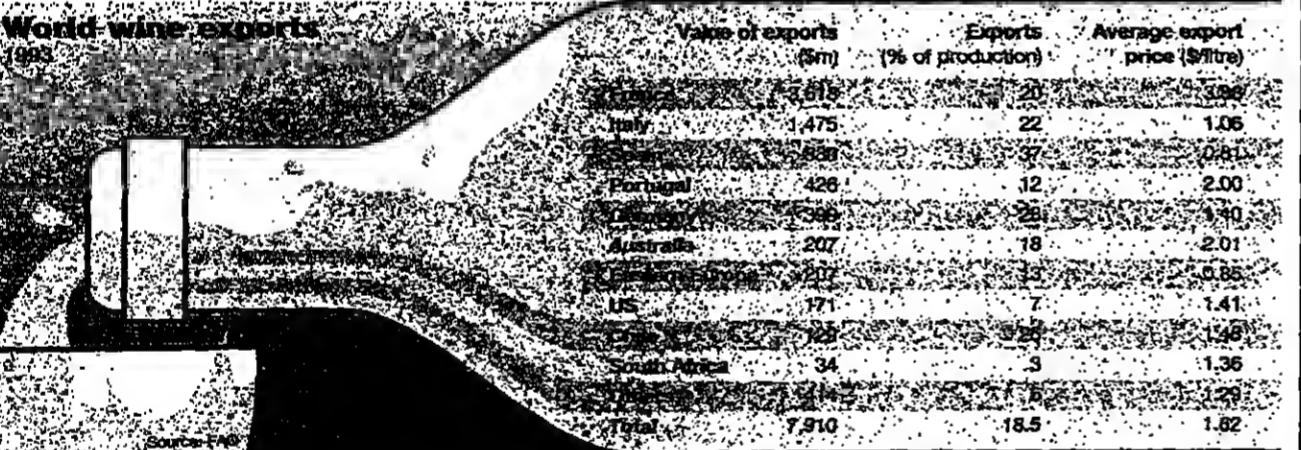
"First there's the question of what they have and if it fits with what we do. If not, there is still the question of whether we know people who could use it."

Last week he saw a \$0.60 chance of doing a deal. Longer term, the odds shorted to something approaching absolute certainty - thanks to common language and common cultural roots. "This is, after all, really one market," he said.

Starting from the point at which Dune initiated product research, he viewed the US and Canada as a single geographical unit. "And I look at the UK as an extension of the US," he said.

Discussion of the unfashionable notion of a "common" transatlantic market arose repeatedly. Mr Bill Wilson, head of Interactive Media Services did not find himself a partner. But he went home with a solution to a nagging data storage problem at his Leeds-based telecoms services company.

He estimated it could save him £50,000 in immediate development costs alone. "I've also found three potential sales opportunities among the UK people here," he added. "The thing in the UK and Europe is that people tend to be over-protective of their interests. But then they come out here and open up."



# New wine exporters threaten to bottle up old producers

Alison Maitland reports on a world wine trade in ferment

Wine exports from new exporters such as Australia have soared in the past decade and will soon pose a serious challenge to European quality wine makers, according to a report by Rabobank, a Dutch bank specialising in food and agribusiness.

The report shows that Australian wine exports jumped from \$20m in 1984 to more than \$200m in 1993 and predicts that they will reach \$700m by 2000. Exports of Chilean wine rose six-fold in six years to \$135m in 1994, while US exports climbed five-fold in eight years to \$182m.

"The new wine producing countries will become serious competitors (of western Europe) in the near future, in particular in the quality wine segment," says the report.

European wines continue to dominate the \$8.5bn world wine trade. But Australia, the US and Chile achieved market shares of 2.6 per cent, 2.2 per cent and 1.6 per cent respectively by 1993, up from well under 1 per cent a decade earlier. South African exports are also increasing fast.

"It may still be marginal, but it's a beginning," said Mr Arend Heijbroek, the report's author. He said Australia would be exporting 50 per cent of its production by 2000, compared with just 16 per cent in 1993. "They're very market-oriented and very concentrated." Four companies in Australia

together have 75 per cent of the export market.

In Europe, wine production is fragmented and highly protected, the report says. Many small French chateaux are too restricted in output either to create brands or to supply the consistent, large quantities required by the dominant retail chains. By contrast, says the report, "production in the new wine countries is flourishing because the companies in these markets use the most modern technology, which enables them to produce qual-

ity wines at a favourable quality/price ratio".

Asian countries are expected to be the future growth markets for wine if they lower their import taxes and ease their import duties. But reductions in tariffs and export subsidies by the EU and North America under the Uruguay Round agreement are also encouraging the new wine producers to push further into these markets.

The average export price of wine has increased in the past 10 years as the taste for Champagne and quality wines has panned and quality wines has grown. France, the world's largest exporter by value, also

had the highest average export price of \$3.38 a litre in 1993.

"France has always exported its best qualities, which has contributed to its good image," it says. "French traders are innovating in variety wines and good quality 'vin de pays' wines which have fewer regulatory restrictions. This will give them new market opportunities."

The report is scathing about Germany's wine marketing skills. Germany is the only European country to lose market share over the past decade,

when European exporters increased their domination of the international wine trade from 68 per cent to 85 per cent and the value of the market grew by 85 per cent.

Germany has concentrated on exports of cheaper wines such as Liebfraumilch. "This has not contributed to improving the image of German wines in the international market," it says. The average world export price for wine has almost doubled in the past 15 years, thanks largely to increases in French prices. But the average real export price of German

wines has halved over the same period.

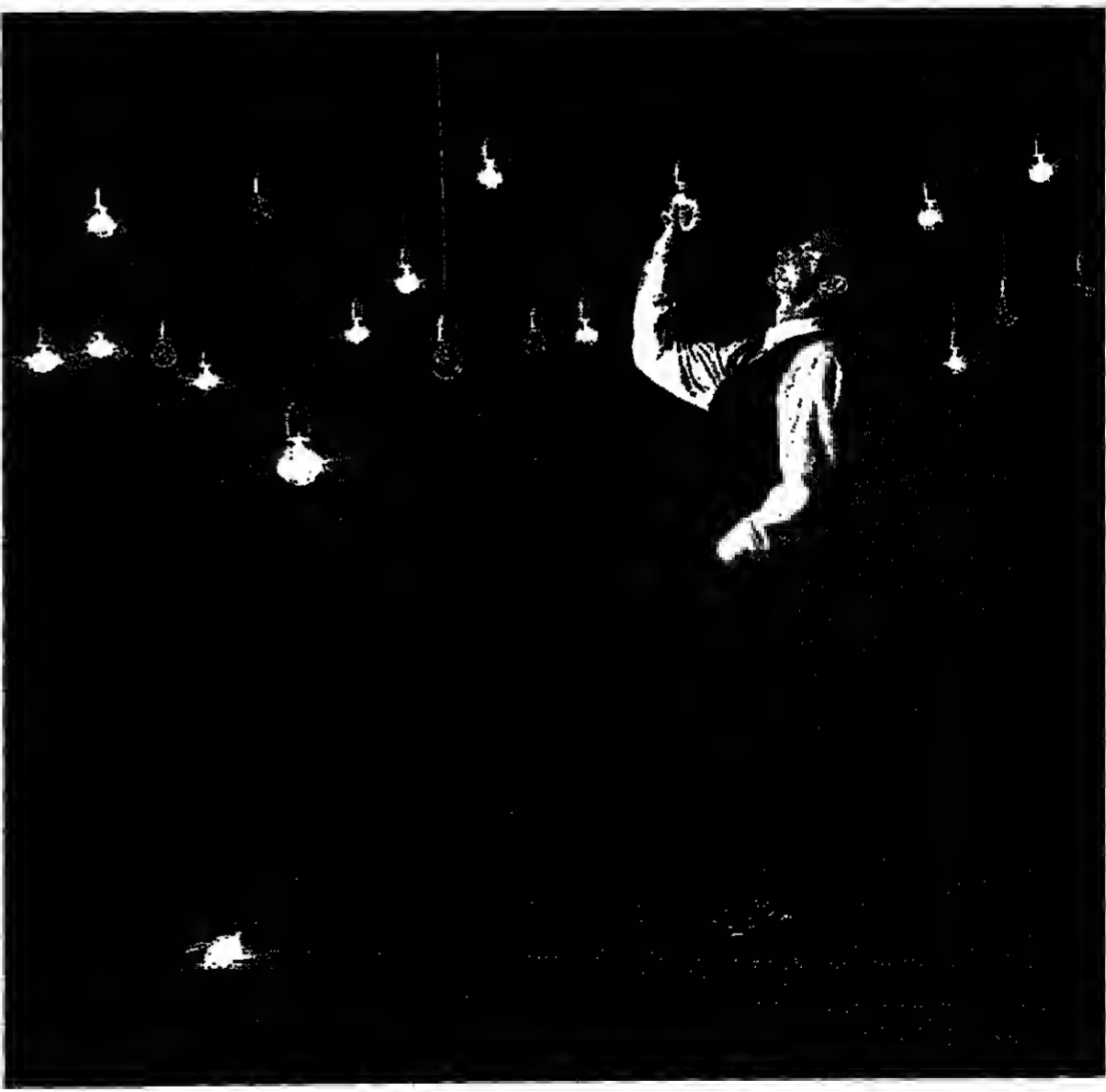
Spain has increased its wine exports since joining the EU in 1986 and now exports 37 per cent of its production, the highest export percentage in the world. Its average export price is the lowest in the world, at 81 cents a litre in 1993. Its higher-priced wines go to the US and UK, while France buys its cheaper wines.

Americans pay most for their wine imports, buying the most valuable wines on offer from France, Italy and Spain and paying an average import price of \$4.35 a litre. A penchant for Champagne helps explain the high prices. The US also, unusually, has high duties on bulk imports, thus favouring higher-priced bottles.

The new wine countries, especially Australia and Chile, have made inroads into the US, achieving a combined market share of 8 per cent in 1993. They have also successfully entered the UK, where they quadrupled their share of market volume to 14 per cent by 1993 at the expense of traditional European suppliers.

They have had less success in Japan, one of the fastest growing wine importers of the last 20 years, where French wines have a 60 per cent share of imports. The World Wine Business, Rabobank Nederland, Marketing Services, PO Box 17100, 3300 HG Utrecht, Netherlands. Tel: +31 30 21628804. Fax: +31 30 2161978. \$45.

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# UK charity linked to aid for suicide bombers

By Julian Ozzane in Jerusalem and Clay Harris in London

Documents in the possession of Israeli police link Interpal, a UK-based charity, with a Palestinian organisation whose head is under investigation for allegedly supporting the families of Hamas suicide bombers and other activists.

One letter from Interpal, written in Arabic, confirms the transfer of \$50,000 to the Islamic Salvation Fund.

The other authorises the spending of \$20,000 for food for the families of prisoners and the distribution of \$10,000 in

cash to buy clothes for children at the festival of Eid, at the end of Ramadan.

In London, Mr Essam Mustafa, vice chairman of Interpal, who signed both letters under the name "Issam Yousef", confirmed yesterday that they were genuine.

He said the charity that received them, which he translated as Islamic Relief Committee, was Israeli-registered, and the payments - including those to families of prisoners - were legal in Israel.

The bank accounts of Interpal, also known as the Palestinian Relief and Development

Fund, have been frozen by the British Charity Commission pending an investigation.

Until the measure is lifted, the charities regulator must approve any transfer out of Interpal's accounts. Commission officials yesterday began their detailed investigation of records at Interpal's offices in north London.

Israeli security forces believe the letters provide evidence of a chain linking money raised by Interpal in Britain directly and indirectly with Hamas's military wing. They also allege that Interpal co-ordinates the activities of other fund-raising

groups in Europe.

Mr Mustafa said yesterday he was not a member of Hamas: "I am not, I have nothing to hide. I am not one of those people."

The Islamic Salvation Fund is one of two Nazareth-based charities run by Mr Suleiman Agbariah, a 39-year-old Arab citizen of Israel. Mr Agbariah is under house arrest on suspicion of channelling money from Interpal and other foreign organisations to the families of Hamas terrorists.

Interpal had said it had no records of sending money to the charities linked with Mr Agbariah.

of Mr Iman Salah Salameh Attallah, a 20-year-old Palestinian who died after he drove his car packed with explosives into an Israeli military car, killing two Israeli soldiers. The attack occurred in the Gaza Strip on September 12 1993, a day before the Israeli-Palestinian peace agreement was signed in Washington.

A field worker working for one of Mr Agbariah's charities recommended support to the family saying that Mr Attallah, a member of Izz el-Deen al-Qassam, the military wing of Hamas, was a "moral youth" and a "martyr".

# South Africa budget takes no chances

By Roger Matthews in Cape Town

The South African government introduced a cautious budget yesterday aimed at reducing the fiscal deficit, providing tax relief to lower and middle income groups, and slightly easing company taxation.

Mr Chris Liebenberg, the minister of finance, said his aim was to build on the government's reputation for fiscal discipline, while paving the way for more significant budgetary reforms next year.

He warned parliament there was no escape from the harsh disciplines of international markets. "The sanction for stepping out of line politically, socially or economically is severe," he said. "We intend to steer well clear of any such risk."

His decision not to raise value added tax from 14 per cent was welcomed by union leaders who had campaigned hard against the 1 percentage point increase urged by South Africa's biggest 50 companies. "We will not be opening any champagne tonight, but neither will we be taking to the barricades," said Mr Ebrahim Patel, a union leader.

Mr Liebenberg denied the government had succumbed to union pressure. He accepted that VAT was efficient and caused few economic distortions, but said it had a greater impact on the poor. "I am concerned at the perception that we have done a deal with the unions. This is not true."

The minister also turned his back on appeals from business leaders for a cut in the budget deficit equal to 1.5 per cent of gross domestic product.

Instead he announced a target of 5.1 per cent of GDP, some R29.5bn (£4.8bn), compared with 5.8 per cent last year, and the actual outcome of 6 per cent. This would bring total projected government debt to

R311.6bn, or 55.6 per cent of GDP, compared with 56 per cent of GDP in the current year. The cost of servicing the debt will rise from 15.5 per cent of government spending to nearly 20 per cent.

With total spending forecast to rise by 10.4 per cent next year to R174bn, and revenue from the existing tax structure by 10.5 per cent to R186bn, Mr Liebenberg had to seek additional resources to narrow the fiscal deficit. This he has done by raising R1.5bn from the sale of strategic oil reserves, R3.4bn from various tax measures, and R1.5bn in anticipated improvements in tax collection. He made no provisions for receipts from privatisation during the new financial year.

There was some small relief for companies and the stock market with Mr Liebenberg announcing a cut in the tax on dividends from 26 per cent to 12.5 per cent, and a reduction of the tax on share dealings from 1 per cent to 0.5 per cent. Mr Liebenberg said these measures were aimed at making South Africa more "investor friendly" and improving international competitiveness.

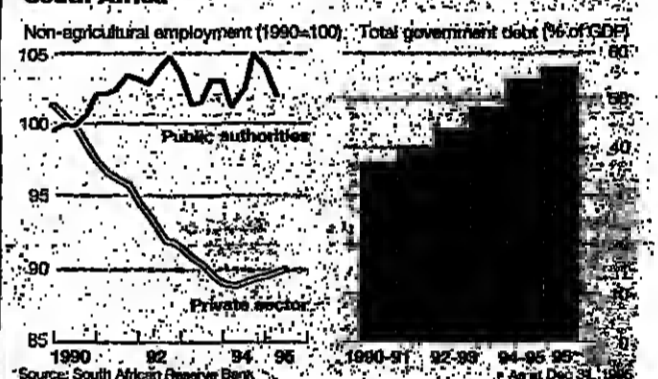
However, more controversially, he also announced the introduction of a new 17 per cent tax on the monthly gross interest and net rental income received by all pension, provident and retirement annuity funds. This is intended as the first step in a wider review of the industry and should yield R2.7bn in the financial year beginning on April 1.

Income tax payers benefit by R2bn from the decision to raise the threshold on which the top marginal rate of 45 per cent is levied from R80,000 to R100,000, coupled with other smaller concessions.

On spending, there is a further 5 per cent cut for defence, but more for education and police.

Lex comment, Page 14

## South Africa



# 'Peace summit' sends Red Sea tourists packing

By David Gardner in Sharm el-Sheikh

Ever since Mr Yassir Arafat, leader of the Palestine Liberation Organisation, renounced the use of terrorism in the 1980s, he has had trouble getting his tongue round the English word, regularly starting listeners by promising to wipe out "tourism".

At yesterday's hastily convened "anti-terror" summit in Egypt's Red Sea resort of Sharm el-Sheikh, he and 30 other international leaders were doing a fair job of that.

As summiters settled into their beach suites among the rustling palms and riot of bougainvillea, those tourists not already roused from their rooms ducked stampedes of

cameramen and security guards.

They fled the platoons of workmen raising billboards, painting kerbs, building platforms over swimming pools and commandeering restaurants for the Summit of Peacemakers.

The remote southern Sinai resort's one-runway airport was swamped, the local telephone system overwhelmed to the point that even local calls were at one stage impossible.

Yet Sharm el-Sheikh is a relatively recent addition to the tourist circuit. Returned with the Sinai desert in 1981 to Egypt by Israel, which captured it in the 1967 Arab-Israeli war, it had previously been a vital strategic military installation for both countries before



President Bill Clinton shares a joke with Jordan's King Hussein on board Airforce One as they fly in for the summit

they made their 1979 peace.

Enterprising management at the Mövenpick Jolie Ville Hotel, the improvised summit centre, was doing a brisk trade among delegations and surviving tourists by selling them "Stop Terrorism" T-shirts, with "Yes, I Was There" emblazoned on the back.

Well, up to a point, so far as the tourists were concerned. Many of them were shipped off to the Valley of the Kings in

Luxor, at the other end of Egypt, or to the neighbouring 4th century monastery of St Catherine's, near Mount Sinai.

Mount Sinai is where God revealed the 10 Commandments to Moses; among them: "Thou shalt not kill". Back in the Mövenpick, meanwhile, the Britin's holiday camp atmosphere was cranking up on auto-pilot, with or without tourists. A multi-lingual Dutch animator

was calling the Bingo numbers, backed by two blondes doing rather tacky "Oriental" dances.

As a sedate delegation of Saudis filed ceremonially into the Crown Prince of Bahrain's suite to pay its respects, "Number Eleven, Legs 11" boomed over the holiday village sound-system.

As President Jacques Chirac, of France, strode purposefully towards President Hosni

Mubarak of Egypt, the master of ceremonies could be heard insisting: "The first horizontal line of numbers gets the prize."

As the tension mounts, from the British delegation, cried "Bingo!" and claimed the summit's first prize, an hour's free diving tuition on Sharm el-Sheikh's breathtaking coral reef: definitely the most peaceful place at the Summit of Peacemakers.

# Groups 'will have to fund own fight on fraudsters'

By Andrew Jack in Paris

Counterfeiting products costs businesses more than \$100bn (£66.6bn) a year and companies will have to assume far more responsibility for protecting their products, a senior executive from the international

Chamber of Commerce warned yesterday.

Cost pressures on law enforcement agencies and the belief that counterfeiting is essentially a commercial problem will shift a considerable burden of investment away from state investigators and on

to business, he said. They will be expected to fund their own inquiries to attack fraudsters.

The warning came from Mr Peter Lowe, assistant director of the Chamber's counterfeiting intelligence bureau at the start of a one-day conference on the subject in Paris.

Counterfeiting has been growing strongly since the 1980s, which is explained by the high levels of profit it generates, the lack of adequate enforcement, and the absence of strong intellectual property laws, Mr Lowe added. The quality of fake products

was now so high it was often impossible to distinguish them from genuine ones.

Sometimes this was because of "factory overruns", by which the same production facilities were used to provide the official products and then extra ones after hours.

Organised crime was often involved in counterfeiting, with the result that investigators often faced physical danger.

Further, counterfeiters were becoming more sophisticated in concealing their operations, including often importing unlabelled products and attaching false "designer" names at the last minute before sale.

Others speakers at the conference said counterfeiting had been helped in recent years by the political fragmentation and

liberalisation of the former Soviet Union and China, and by reduced levels of customs inspections within the EU.

Mr Luiz Edgard Montauray Pimenta, a lawyer from Brazil, cited one example of a company in South America which attempted to register the name of a brand of shoe as a trademark and ban imports of the original.

The chief executive, he claimed, was a member of the country's police and sat on an anti-counterfeiting commission.

Mr Lowe praised France, which is one of the few countries in the world where counterfeit goods brought in from abroad can be confiscated by Customs officers even if they are claimed to be for personal use.

# Poor nations' debt burden lies heavily on World Bank minds

Michael Holman and Patti Waldmeir on a dilemma for lenders

When the World Bank board meets in Washington, today to discuss plans to reduce the debt burden of the world's poorest countries, directors will be aware that they face an almost impossible task.

They have to satisfy several powerful constituencies and some influential lobbies which, while sharing the same objective - reducing poverty through aid and economic development - are frequently at odds.

The British charity, Oxfam, and other non-governmental organisations have long argued that the cost of repaying multilateral debt is an increasing burden on some of the world's poorest countries.

Repayments to multilateral creditors - mainly the IMF and the World Bank - have increased steeply, from 20 per cent (\$1bn) of total debt service payments in 1980, to 60 per cent (\$3.3bn) in 1994.

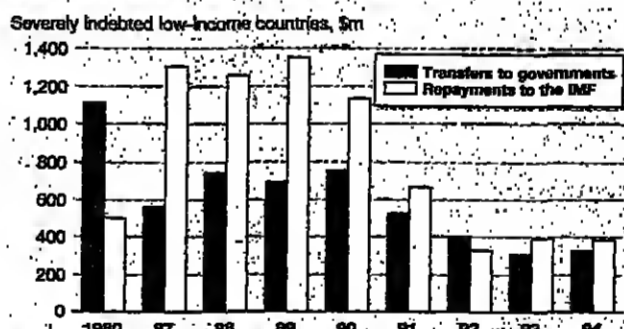
France, Germany and Japan are strongly opposed to either rescheduling or writing off this category of debt, arguing that its terms are highly concessionary and that other developing country borrowers could suffer, either because the cost of borrowing would rise as a result, or because fewer resources would be available to them.

But the paper before the board nevertheless represents a landmark in efforts to tackle the debt problem.

It accepts that the debt burden of many poor countries cannot be tackled using existing measures; and for the first time there is a suggestion that the IMF is adopting a more flexible approach.

The strong theme running through the report is that the problem requires a comprehen-

## IMF transfers and repayments



Source: World Bank

sive approach, in which all categories of debtors - multilateral, bilateral, Paris club (official government debt) and London Club (commercial bank debt) - need to share the costs.

The paper sets a threshold for debt sustainability at 20-25 per cent for the ratio of debt-service to exports, and 200-250 per cent for the ratio of debt to exports.

Countries which remain above those thresholds for more than 10 years, "despite adherence to sound policies and full use of existing debt relief mechanisms," would be characterised as having "an unsustainable debt burden."

The initiative would:

- Require debtors to demonstrate a thorough track record of reform and sound policies before receiving relief.
- Co-ordinate action by all creditors, on the principle of "broad and equitable participation".
- Preserve the financial integrity of the institutions and their preferred creditor status.

The paper outlines the main challenge in formulating a debt strategy: "Reconciling the need to retain a clear link between

commercial creditors further reducing debt towards sustainable levels by the end of the second stage". Such relief on flow and stock reschedulings by Paris Club creditors could reach 90 per cent when necessary, compared to the maximum 67 per cent currently available, the paper notes.

If debt sustainability is not then assured, there would be "new financing" from, and action to ease the burden of debt owed to, multilateral institutions, sufficient to reduce debt burdens to sustainable levels by the end of the second stage.

The paper stresses that "options for easing the burden of multilateral debt all involve the original claims being repaid in one way or another - there is not a proposal to write off (or down) multilateral debts."

The paper goes on to say: "It is useful to consider possible action by the multilateral development banks and the IMF separately, given the latter's unique character and specialised instruments... one option would be for the multilateral development banks to create a special trust fund into which they, and bilateral sources, would make contributions."

The fund, administered by the Bank, would be used to prepay or service a portion of the countries' multilateral debts.

Eligible countries: Burundi, Guinea-Bissau, Mozambique, Nicaragua, Sao Tome-Principe, Sudan, Zaire, Zambia. Other countries might also qualify: Bolivia, Cameroon, Congo, Cote d'Ivoire, Ethiopia, Guyana, Madagascar, Myanmar, Niger, Rwanda, Tanzania, Uganda.

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# Great tragic hokum

NIXON  
Oliver Stone  
GET SHORTY  
Barry Sonnenfeld  
REALMS OF THE SENSES  
ICA

In *Nixon*, Joan Allen's First Lady says to Anthony Hopkins' president, "They'll never love you, Dick". And we realise, if we have not already, that film-maker Oliver Stone's appallingly enthralling three-hour stomp through the career that gave us the Cambodia bombings, the opening up of China and the Watergate burglaries is really "Citizen Kane Goes To Washington".

Kane had his sled taken away. Nixon, we learn in black-and-white flashback, had his brothers taken away by early death. His Quaker mom (Mary Steenburgen) then poured the family cash into young Dick's university education, causing him to rise on his siblings' dead bodies as he would later rise on those of two more brothers: Jack and Bobby Kennedy, slain, at least in this film's metaphorical patterning, as if to clear Nixon's electoral path.

So, Charles Foster Kane with a touch of Machbeth, Hopkins, against expectation, makes perfect casting for the president who combined a bullet-proof ego with a greasestained air of guilt. Scantily accessorised - a black widow's peak and a smear of five o'clock shadow - the actor bunches uncannily into Nixon's human coat-hanger shape. He punches his lines through the famous jowls and skins his lips back for the famous salesman smiles. Sometimes too he jabs the air with

the Nixon V-sign as if digging heaven meaningfully in the ribs. If Stone's JFK was a mosaic without a centre - its hero was a dead body - *Nixon* is a classical melodrama with a screen-filling protagonist, even though the director still plays unclassical games with time sequences and screen textures. Tripping between decades as he covers every flashpoint in the Nixon story from 1950s anti-communist fever to the death agonies of the Vietnam war, Stone also oscillates between colour and monochrome, hi-fi 35mm and the grainy hand-held film stocks of TV reportage.

This time, though, the audience does not feel like an adult education class being harangued by a mad political scientist. The Freudian slant on his main character may be simplistic (as was *Kane's*), but Stone gives it a gothic grandeur. Like a Poe story, it reveals in the corrupt magnificence of shadows, mansions and deadly secrets. And like a Poe hero, Nixon addresses old portraits as if they were living counsellors. "Where would we be without death, Abe?" he marks fondly at a painting of Lincoln. Later he apostrophises him again as the man in whom "everyone sees what they want to be. In me they see what they are."

*Nixon* is not great art, but it is great tragic hokum. Its omnivorous, canny energy allows it to feed on knockabout satire as well as stentorian admonition. Bob Hoskins gives us a vaudeville J. Edgar Hoover, sipping umbrella'd cocktails with Adams' pool companion. Paul Sorvino's lookalike, soundalike Kissinger is alternately unnerveing and hilarious, as he proffers adonoidal war counsel or joins his chief in kneeling prayer (again before the icon of Abe). And the pantomime improbability of Nixon's pow-wow with student protesters on the Capitol steps - "Hi, I'm Dick Nixon" - is no more



Citizen Kane with a touch of Machbeth: Joan Allen and Anthony Hopkins in Oliver Stone's 'Nixon'

and no less than a true-life incident. This, after all, was a career made to be an Oliver Stone film.

John Travolta moves through *Get Shorty* like a one-man motorcade. Dressed in glistening black, gesturing with seigneurial hand, powering his path through fellow actors (Gene Hackman, Danny DeVito), the star who vanished from stardom for ten years might never have been away. Bringing a fimsious stylishness to this Elmore Leonard tale of graft and gangsterdom in movieland, Travolta's Miami-based mafia loan-shark travels west to put the squeeze on Hollywood producer Gene Hackman. Once set down, though, in the world of raveling stars (Rene Russo, Danny DeVito) and runaway revenues, Travolta is

hooked. He transfers his business skills and intimidation tactics to the startled world of professional make-believe. His signature phrase "Look at me" is enough to turn most resistant investors or recalcitrant actors to jelly, as the halogen blue Travolta eyes bore into their souls or wallets.

The actor outshines the material. As directed by Barry *The Addams Family* Sonnenfeld, much of the film behaves like a drunk on a street, weaving between satire and slapstick as if between opposing lamp-posts.

Who in Tinseltown's demology are these supporting characters meant to be? Hackman is too canny, too sly to be a knockabout vulgarian of the Z-movie (whose credits include *Grotesque* and *Grotesque*

Part 2). Russo, as the stilet with pretensions, is a smart patrician redhead where she should surely be a blonde with a low IQ. And DeVito is too squat, too buff to be the idol-superstar we are asked to believe has just triumphed as *Napoleon*.

Sonnenfeld and screenwriter Scott Frank seem to be playing for parody and incongruity at the same time, which is like trying to have your custard pie and throw it.

The best scenes are those where Hollywood recedes and gangsterdom takes over. Travolta and his fellow hoodlums (Hawaiian-shirted James Gandolfini, swollen-hooped Dennis Farina) may be playtime baddies, cousins to the postmodern cut-outs of *Pulp Fiction*, but they are funny and all-of-a-piece and they move in a world where quick reflexes produce

quick wit. As someone pithily says, "Sometimes you do your best work when you got a gun to your head."

There are more gangsters at the ICA in Hayashi Kaizo's *The Most Terrible Time Of My Life*. But beware of self-fulfilling movie-titles. Trying to bring Chandler to Yokohama, the film brings grief to its audience. We count the relentless punched noses and severed fingers and the would-be hardboiled lines that crack in the pan.

But it is only one film - ill-advisedly press-shown - in a three-week season of new Japanese cinema, "Realms of the Senses". This promises everything from post-cyberpunk science fiction to Super-8 diary movies to our old friend "the turbulence of adolescent emotional and sexual self-discovery."

## Obituary Krzysztof Kieslowski

In years to come Krzysztof Kieslowski, who died yesterday aged 54, may be seen as the only European director to have emerged into greatness from the cultural middle of the post-1970s European Community.

Though imbued with the sardonic stoicism of Polish cinema (Wajda, Polanski, Skolimowski), he determinedly crossed borders to make films with foreign stars in France (*The Double Life Of Veronique, Blue*) or Switzerland (*Red*). Not just a pan-European, he was also panhumanist and even a pantheist. A Kieslowski film was an early recognisable as a Graham Greene novel. Both depicted a world where ordinary lives kept meeting the shock of the mystical.

A widow could be haunted by the sins and passions of her husband, killed in a car crash (*Blue*). A young woman could meet her double, both literally (*Veronique*) and spiritually (*Red*). And in *The Decalogue*, Kieslowski's ten-installment masterpiece inspired by the Ten Commandments and created for television, the word of God, made outlaw in a godless world, finds constant ways to make itself heard.

Nothing in Kieslowski's debut feature, a comedy about cinema called *Camera Buff*, prepared audiences for the complexities to come. But even here there was a flair for teasing offhand metaphor. The lens-wielding hero was a knockabout version of the "surveillance state" in pre-liberation eastern Europe. Kieslowski would later draw the same parallel between private and public voyeurism in his portrait of a peeping tom in *A Short Film About Love*, part of *The Decalogue* series.

After *Camera Buff* Kieslowski found and scarcely changed his style, whether working before or after the downfall of communism. Human beings were vulnerable, lonely and set about by near-uncontrollable worldly and unworldly influences. Government, bureaucracy and authority were the bringers of tyranny and despair. The state's conscious oppressions were far more benign. Kieslowski argued in his grim tale of murder and punishment *A Short Film About Killing*, that the madeness of the lone individual, however horrifying.

Visually, Kieslowski showed that cinema could be just as inventive with a tiny budget as with the millionaire palette of digital trickery. Whether tinting his cityscapes with colour filters - an orange sky or a grey-haze street scene - or rhythming the same colour throughout a single film, as in *Red* or *Blue*, he was the only European director since Antonioni to advance the possibilities of colour and texture.

Two years ago he announced his retirement, but he was already pondering new projects. On the one occasion I met him, he moved on a Utopian form of movie that would literally change itself audience by audience: much as two of the movies in his own *Decalogue* - *A Short Film About Killing* and *A Short Film About Love* - had been shown in radically contrasting versions on TV and in the cinema. For Kieslowski, cinema never stood still. Movie history, like movies, should keep moving.

N.A.

## Opera in London

### Don Pasquale

nephew Ernesto is a smart-arsed white-collar worker and Norina is the young flirt who runs the café in the piazza.

It looks like a budget show and is sometimes guilty of cheapening the opera, but the evening brings a decent quota of laughs along the way. The return of veteran Donald Adams, though recovering from bronchitis, brings an expert comedian to the title-role. The production is particularly good at charting Don Pasquale's rapid fall from spruce husband-to-be to decrepit old looser wrapped in his blanket in a wheel-

chair, and Adams makes the tracheal old fellow's decline quite touching. His days with G&S have kept his words supple.

Representing youth, Mary Hegarty's Norina and Neil Archer's Ernesto are shallow enough in this 1980s version to remind us that the young never change either. Hegarty is a delight, the sort of Norina who keeps her wits about her as any young Roman female must and singing with a refreshing soprano that hardly ever loses its sparkle; Archer has a Coliseum-sized lyric tenor, but he finds the second half of his aria

## Theatre/Sarah Hemming

### Dublin low-life

It is a cracking month for Irish theatre in London. The latest arrival is Paul Mercier's *Buddieia* at the Donmar Warehouse (performed by Passion Machine Theatre Company as part of the Four Corners season at this address), which makes a fascinating contrast with Martin McDonagh's excellent *The Beauty Queen of Leenane*, still running at the Royal Court.

Like McDonagh's play, *Buddieia* is a bleak modern comedy set entirely in a dilapidated kitchen. But where McDonagh explores rural dislocation, Mercier deals with the drags of Dublin, and where McDonagh approaches his subject through the psychological battle between two characters, Mercier's strange and remarkable play is simply a succession of fragments - not so much a slice of life as a whole loaf. He brings us one set of inhabitants after another, a parade of misery and corruption that we, like the house, silently witness.

The piece starts with a bungled robbery (providing a great opening moment, as the actors fall through the kitchen window) which precipitates the death of the elderly occupier. With him gone, the building falls prey to a succession of lodgers and visitors and we watch as one dubious lot after another squabbles, struggle or suffer. Broken marriages, financial crises, dodgy businesses (pornographic videos, heroin deal-

ings, corrupt local politics, loneliness, illness - all human misery passes before us.

The piece works by accumulation, building up into a funny, but truly grim picture of life in a God-forsaken patch of Dublin. But while most characters come and go and never interact, the audience is privy to certain connections (the crooked estate agent turns up in nearly every scene), and Mercier also weaves in a couple of running themes. Gus and Les, two workmen who appear several times in different guises (undertakers, removal men, fixers) act as a kind of chorus and broaden the scope of the play by conducting inconclusive conversations about the meaning of it all. And tragedy is woven in the shape of the homeless Jordan, grandson of the first occupant of the house, a pale, skinny youth who is constantly getting entangled with other people's bad business.

It is an ambitious, enthralling piece that fizzes with desperation, and its deliberate avoidance of dramatic conventions admirably suits the splintered world it portrays. And one can only admire Mercier's marshalling of his huge (29 strong) cast and their ability to instantly conjure a whole world of private despair in each fragmented scene.

'Buddieia' continues to March 16 at the Donmar Warehouse, London (0171-369 1732).

## Whatever happened to the Great American Opera...

the ideal marriage between the democratic New World's jazz/folk vernacular and the most aristocratic and European of artistic genres? Now and then, candidates for the supreme accolade present themselves: Gershwin's *Porgy and Bess*, Blitzstein's *Regina*, Weill's *Street Scene*, Copland's *The Tender Land*, Bernstein's *A Quiet Place*, and Douglas Moore's 1936 opera, *The Ballad of Baby Doe*, something of a classic in America, but unknown and unstaged in Britain until Monday, when University College Opera presented it at the Bloomsbury Theatre.

The reasons for *Baby Doe's* neglect here are not hard to fathom. Moore, a composer-academic, was neither

## The Ballad of Baby Doe

one of America's great transcendentalist visionaries or an offbeat experimenter celebrating the US's cultural multiplicity. Like many educated American composers he headed for Europe, to the legendary Parisian pedagogue Nadia Boulanger, where he learnt how to coat his music with a proper Old World gloss.

But, gifted with less than genius and only a patriotic striving to tap into his indigenous tradition, the sense of parlour-song propriety always triumphs. *Baby Doe* runs true to form and formulates an impeccable craft, underpinned by folk-inflected music, alternately glowing or gawky, which does little to enrich its cardboard, historically-based, char-

## Richard Fairman

the bankrupt silver mine on which they had pinned their hopes.

Wisely the director, Robert Chevra, largely refrained from adding tinsel and fairy lights to this already sickly, chocolate box confection. The choral scenes were impressively handled, and David Drummond conducted a fluent, loving account of the score.

In one sense *Baby Doe* is the perfect "college opera", making few demands on performers and listeners; and it probably needed this first British staging if only to provide further evidence that the Great American Opera is, in fact, a chimera.

Antony Bye  
At the Bloomsbury Theatre on March 15 & 16.

## Opera in London

acted by the Hamburg Oper, 7pm; Mar 20

■ HANOVER  
THEATRE  
Niedersächsisches Schauspielhaus  
Tel: 49-511-321133  
● Der gute Mensch von Sezuan: by Bertolt Brecht. Directed by Föfster; 7.30pm; Mar 18

■ LEIPZIG  
OPERA  
Oper Leipzig Tel: 49-341-1261261  
● Eugene Onegin: by Tchaikovsky. Conducted by Jiri Kout and performed by the Oper Leipzig; 7.30pm; Mar 20

■ LONDON  
ART & ANTIQUE FAIR  
Royal Academy of Arts  
Tel: 44-171-4397438  
● The London Original Print Fair: 11th edition of Europe's only specialist print fair; from Mar 21 to Mar 24  
OPERA  
London Coliseum  
Tel: 44-171-8360111  
● Tosca: by Puccini. Conducted by Alex Ingram and performed by the English National Opera; 7.30pm; Mar 15

■ MUNICH  
DANCE  
Nationaltheater  
Tel: 49-89-21851920  
● Shannon Rose: world premiere of a choreography by Youri Vámos to music by Sibelius, performed by the

## Richard Fairman

Bayrisches Staatsballett. Opening performance of the Ballettwoche 1996; 7.30pm; Mar 17, 18

■ NEW YORK  
CONCERT  
Avery Fisher Hall  
Tel: 1-212-875-5030  
● New York Philharmonic: with conductor Leonard Slatkin perform works by Chabrier, Satie and Ravel; 8.45pm; Mar 18  
Carnegie Hall  
Tel: 1-212-247-7800  
● Hildegard Behrens: the soprano is accompanied by pianist Christoph Eschenbach; 8pm; Mar 18  
OPERA  
Metropolitan Opera House  
Tel: 1-212-362-6000  
● The Voyage: by Glass. Conducted by Dennis Russell Davies and performed by the Metropolitan Opera; 8pm; Mar 18  
New York State Theater  
Tel: 1-212-875-5570  
● La Traviata: by Verdi. Conducted by Robert Duerr and performed by the New York City Opera; 8pm; Mar 15

■ PARIS  
CONCERT  
Salle Gaveau  
Tel: 33-1 49 53 05 07  
● Nelson Freire: the pianist performs works by Beethoven, R. Schumann, Debussy and Chopin; 8.30pm; Mar 19  
THEATRE  
Odéon - Théâtre de l'Europe  
Tel: 33-1 44 41 36 36  
● King Lear: by William Shakespeare (in French). Directed by Georges Lavaudant; Tue, Wed, Fri,

## Richard Fairman

Sat 8.30pm, Thu 7.30pm, Sun 3pm; from Mar 20 to May 12 (not Mon)

■ ROME  
CONCERT  
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611054  
● Orchestra dell'Accademia di Santa Cecilia: violinist Frank Peter Zimmermann and cellist Mario Brunello perform works by Brahms and Dvorák; 7pm; Mar 18, 17 (5.30pm), 18 (8pm), 19 (7.30pm)

■ STOCKHOLM  
OPERA  
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300  
● Aida: by Verdi. Conducted by Maurizio Barbacini and performed by the Royal Opera Stockholm; 8pm; Mar 16

■ STUTTGART  
OPERA  
Staatstheater Stuttgart  
Tel: 49-711-20320  
● Der fliegende Holländer: by Wagner. Conducted by Marc Albrecht and performed by the Oper Stuttgart; 7.30pm; Mar 17

■ SYDNEY  
EXHIBITION  
Museum of Contemporary Art  
Tel: 61-2-241-5876  
● From Christo and Jeanne-Claude to Jeff Koons: John Kaldor Art Projects and Collection: the first public showing of Australian patron Kaldor's collection. Works by contemporary artists Carl Andre, Joseph Beuys, Christo and

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Financial Times Business Tonight

■ VIENNA  
CONCERT  
Konzerthaus Tel: 43-1-7121211  
● Klangforum Wien: with conductor Zolt Nagy perform works by Furrer, Lopez, Haas and Faber; 7.30pm; Mar 18  
DANCE  
Wiener Staatsoper  
Tel: 43-1-514442980  
● Staatsoperballett: four choreographies by George Balanchine; 7.30pm; Mar 18, 20 (8pm)  
OPERA  
Wiener Staatsoper  
Tel: 43-1-514442980  
● Götterdämmerung: by Wagner. Conducted by Peter Schneider and performed by the Wiener Staatsoper; 8pm; Mar 17

■ WASHINGTON  
CONCERT  
Concert Hall Tel: 1-202-467 4800  
● San Francisco Symphony: with conductor Michael Tilson Thomas perform works by Copland and Mahler; 8pm; Mar 17

■ ZURICH  
OPERA  
Opernhaus Zürich  
Tel: 41-1-268 6666  
● Il Trittico: by Puccini. Conducted by Marcello Viotti and performed by the Oper Zürich; 7pm; Mar 16, 19 (7.30pm)

INTERNATIONAL  
ARTS  
GUIDE

- AMSTERDAM  
CONCERT  
Beurs van Berlage  
Tel: 31-20-6271161  
● Ton Koopman: the harpsichord-player performs works by J. S. Bach, Buxtehude, Forquary, Duphy, Böhm, Rameau and Balbastre; 2.15pm; Mar 17  
Concertgebouw  
Tel: 31-20-5730573  
● Raphael Oleg, Mirel Iancovici and Alan Wyss: the violinist, cellist and pianist perform works by Delius, Zamlinsky and Schoenberg; 8.15pm; Mar 17
- BERLIN  
CONCERT  
Konzerthaus  
Tel: 49-30-203092100/01  
● Trio Fontenay: in an all-Beethoven programme; 7.30pm; Mar 19  
DANCE  
Staatsoper Unter den Linden  
Tel: 49-30-2082861  
● Apropos Scherhazade: a choreography by Béjart, performed

- by the Ballet Unter den Linden. Conducted by Daniel Barenboim, costumes designed by Gianni Versace; 7.30pm; Mar 16
- OPERA  
Komische Oper  
Tel: 49-30-202600  
● Falstaff: by Verdi. Conducted by Yakov Kreitzberg and performed by the Komische Oper; 7pm; Mar 15, 18
- BOLOGNA  
OPERA  
Teatro Comunale di Bologna  
Tel: 39-51-529999  
● Madama Butterfly: by Puccini. Conducted by Marco Guidarelli and performed by the Teatro Comunale di Bologna; 8.30pm; Mar 19, 21, 22, 23, 24 (8.30pm)
- OPERA  
Opernhaus Tel: 49-221-2218240  
● Otello: by Verdi. Conducted by James Conlon and performed by the Oper Köln; 7.30pm; Mar 18
- EDINBURGH  
CONCERT  
Edinburgh Festival Theatre  
Tel: 44-131-5296000  
● BBC Scottish Symphony Orchestra: with conductor Martyn Brabbins and soprano Lesley Garrett perform works by Wagner, Canteloube and Rachmaninov; 7.30pm; Mar 17
- HAMBURG  
OPERA  
Hamburgische Staatsoper  
Tel: 49-40-351721  
● Khovanshchina: by Mussorgsky. Conducted by Gard Albrecht and

- performed by the Hamburg Oper; 7pm; Mar 20
- HANOVER  
THEATRE  
Niedersächsisches Schauspielhaus  
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- Jeanne-Claude, Donald Judd, Sol Le Witt, Roy Lichtenstein, Mario Merz, Robert Rauschenberg, Meyer Valem and Australian artists Aleks Darko, Mike Parr, Imants Tillers and Ken Unsworth; to Mar 17
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## Economic Viewpoint - Samuel Brittan

## Marx should be living now

US financial markets have been shaken out of their preoccupation with mythical recessionary dangers. But European markets follow the US too slavishly

Karl Marx would have given a portion of his anatomy for the accurate headline in last Saturday's Financial Times: "US markets in turmoil after sharp rise in jobs". It would have supported his belief that good news for the workers was bad news for capitalists, and that the system could survive only with a "reserve army of unemployed".

He may, however, have been right. For the "reserve army" was just another way of saying that an economy requires some reserves of under-utilised labour, as it does stocks of goods, undeveloped land and other factors of production. He erred only in supposing that these reserves could be dispensed with under any system that avoided direction of labour.

The concept was reinvented by Milton Friedman under the name of the "natural rate of unemployment" to show that governments could not spend themselves into target rates of growth and employment. The idea has now been disguised under the technical-sounding name, Non-Accelerating Inflation Rate of Unemployment (NARU), on which most mainstream economists are now brought up, irrespective of how they vote.

Of course, one must add the caveat that there is nothing natural about the natural rate, and there are many reforms that could enable labour markets to balance at much lower levels of unemployment, as they do in the US compared with continental Europe.

But it remains true that if at any one time unemployment drops too far below the point of balance, labour shortages develop, inflationary symptoms mount up and some checking action by governments or central banks is as sure as night follows day.

One interpretation of the recent financial market shake-out in the US is a sudden realisation that, so far from facing recession, the US economy was likely to show adequate growth rates and at least normal rates of capacity utilisation.

The markets, therefore, lost any reason to expect a reduction in US interest rates.

If there was anything pathological about US market behaviour, it was not the correction of the last few days. It was the earlier growth of recession fears on the basis of a couple of months' slowing down and the distortions following from a severe winter.

Much less justifiable is the slavish way in which financial markets in other countries follow the US. For there is little doubt that European countries have unemployment rates high above their NARUs. This is obviously the case in Germany and France, but is also true in the UK.

Patrick Minford argues persuasively in Economic Affairs that under-utilised reserves of UK labour are much higher than the unemployment figures suggest. But his main belief is that the natural rate of unemployment has dropped a lot as a result of supply-side measures. He has a chart showing how all the other forecasters in the Chancellor's panel of "wise men and women" have seriously over-estimated either inflation or unemployment - and usually both - several times running.

Another criticism of mainstream analysis comes from the Centre for Economics and Business Research, which argues growth has been underestimated because of the difficulty of taking into account new products and processes. The immediate impli-

cations for policy are limited because both growth and productivity may be higher than official statisticians suppose, and this has, therefore, only a modest effect on the amount of unused capacity in the economy. Looking further ahead, however, there is reason to worry about the growth of money and credit. These are now rising above their monitoring ranges by too great a margin to be accommodated by productivity miracles and could easily ignite new inflation in two or three years.

Treasury and Bank of England officials who explained away the money and credit surges of the 1970s and 1980s are at it again this time. It is quite possible for both criticisms to be correct. Demand could be highly deficient now but become excessive in the late 1990s.

This leads us to last week's UK base rate cut from 6% to 5 per cent. The pious explanation is that the Treasury and Bank updated their forecasts of inflation in two years' time, concluded it was likely to be below the target of 2½ per cent and cut rates again.

You can tell that to the marines. The role of forecasts is largely ritualistic. If inflation is below expectations for several quarters while output remains sluggish, the inflation forecasts get revised downwards. The forecasts are not telling us anything. We are telling the forecasts.

The alternative cynical explanation - that the Chancellor is just reducing interest

rates to stoke up a feel-good pre-election atmosphere - is equally wide of the mark. Kenneth Clarke is well aware that if he takes obvious risks in managing the economy, the public will be suspicious; he would be prepared to move interest rates in either direction if necessary.

In the UK, as in most other countries, nominal demand is increasing by 4 per cent per annum or even less - well short of the 5 per cent or so which most of the central banks believe to be the safe limit. So the balance of arguments still points to continued small-bite monetary relaxations. The proviso is that policymakers must be prepared to reverse course if there is the slightest sign of demand increasing too quickly after all.

Do not scoff. There have been several examples of interest-rate increases within nine months of an election. These include Anthony Barber in 1973 (admittedly after the oil crisis), Denis Healey in 1978, Geoffrey Howe in 1983 and Nigel Lawson in 1986. It is true there were usually cuts in the months before polling day, but often not enough to reverse previous rises. It is rather sickening to see City analysts becoming more cynical than the politicians they profess to despise.

Admittedly bond markets are giving a thumbs-down to further relaxation. Yields worldwide are half to one percentage point above their January low point. Yet the bond and money markets are inhabited by fallible mortals who can be as over-cynical as the rest of us.

The need is to persevere with interest rate reductions - especially in Germany - until there are actual signs, and not just predictions, of nominal demand rising too fast.

\*\*\*

Meanwhile, the most striking feature of bond yields is their international dispersion. Japanese yields are still far and away the lowest - a reflection

of recent deflationary conditions when consumer prices have actually been falling. US yields are above German ones on shorter maturities but below them on longer-term bonds. This could reflect a belief in an eventual real revaluation of the dollar against the D-Mark.

The table also shows that UK rates are higher than those of any of the Group of Five leading industrial countries for all maturities. There is a premium on UK yields of about 2.3 percentage points relative to German ones on five-year bonds, and one of 1.6 points for 10-year bonds. By contrast, the French premium is only 0.6 percentage points on five-year bonds and almost zero for longer-term issues.

The pattern suggests that the markets believe the two countries will form an ERM core without the French devaluation that so many English-language analysts have tried so hard to foment.

The much higher UK premium at the very least shows that sterling's trend against the D-Mark (and its successor) is expected to be downwards. This does not augur well for British inflation performance outside ERM, despite reassurances to the Euro-sceptics given by Eddie George, the Bank of England governor.

Some of the other differentials are also enlightening, particularly the one or more percentage points by which German bond yields exceed Swiss ones. This is often said to reflect the fears, especially of German investors, that the euro will not be as good as the D-Mark and the consequent desire to find a refuge.

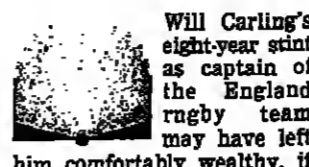
Thus, Germany has higher rates than Switzerland because of the suspicion of the Euro; and the UK has higher rates still because of a fear that sterling will not even be as good as the still-to-be-proven new currency. Alas financial markets are less likely to be wrong here than in their views on the short-term scope for stimulation in European economies.

## BOOK REVIEW

## THE WINNER-TAKE-ALL SOCIETY

By Robert H. Frank and Philip J. Cook  
Free Press, 272pp, \$25

## To the victor the spoils - and then some



Will Carling's eight-year stint as captain of the England rugby team may have left him comfortably wealthy, if uncomfortably prominent in the gossip columns. But he has the misfortune to be stepping down just as a wall of money is about to hit European sport. Satellite television and the lifting of rules on transfer payments, amateur status and the like are multiplying the riches which the stars of these professions will receive.

The same phenomenon can be seen in such diverse professions as law, investment banking, films, and pop music, where the handful of top people receive a share of rewards that is often hard to relate to performance. The merely competent, one rung below, receive a tiny fraction.

Leftwing commentators maintain that this phenomenon reflects the way that society and its "fat cats" have become greedier. Rightwing politicians often say that inequality is inevitable if there are to be adequate incentives for doing well: some will earn more because they are more talented or work harder.

Neither of these explanations is right, according to this ambitious and provocative book. The authors, professors at Cornell and Duke universities, argue that the superstar phenomenon is becoming more pronounced because of the communications revolution and the globalisation of industry. They hold this trend responsible for growing income inequality and argue that it is also socially wasteful.

There are several plausible reasons why winner-take-all markets should have become more common. One is the removal of rules which prevented competition for the best people - in football, for example, the lifting of restrictions on the transfer of European players is sending the fees of

the best soaring. But a more important change is the falling cost of transport and communications. These have created global demand for the best products, and made it possible for them to be distributed worldwide.

Falling distribution costs explain much of the change in pay packets in popular entertainment, the authors say. If it costs no more to stamp out compact discs than Kathleen Battle's master recording of Mozart arias than from her understudy's, most of us listen to Battle. As a result, she can "write her own ticket".

Expansion of markets also helps explain why lawyers, bankers and consultants can also now earn superstar fees, the authors suggest. The money at stake in takeover deals or court cases has grown, and so has the value of hiring the best in each profession. Product markets, like labour markets, are also showing these characteristics. Many inventions become more valuable as more consumers use them, such as telephones or video recorders. Some eventually become the standard of an entire industry. Microsoft Windows, the computer operating system, is now installed on 90 per cent of the world's new personal computers.

The authors argue that this concentration of financial rewards in the hands of a few explains the growth in US income inequality better than traditional models. They also suggest that winner-take-all markets are socially inefficient: the lure of great wealth encourages too many contestants to enter a market, generally overestimating their chances of writing a blockbuster novel or starring in a film. It would be more useful to society if these talents were employed elsewhere, they say.

There is much that is convincing in this account, and even more that is entertaining. However, the authors overstate their case by a long way.

They indulge themselves too much in spotting winner-take-all characteristics in professions without clear winners, such as dentistry or cosmetic surgery. They shuttle with too little discrimination between winning individuals and winning products. The analogies are not always apt, and the argument about the causes of income inequality is muddled. A good product may not enrich a single person; if many people hold rights to it, inequality will not increase.

Despite an enjoyable cascade of examples, it is regrettable that the authors never attempt to quantify the effect of the phenomenon on inequality. There are, indeed, many reasons to believe the impact is far smaller than they imply.

For a start, many corporate financiers and lawyers have made a fortune from the "winner-take-all" effect: as a market grows, it supports more small, specialised companies. This helps spread remuneration more widely. Second, the size of markets in film, fashion and books is not fixed. Their value fluctuates hugely, depending on the products' appeal: new stars can sell millions without denting the money of those already there.

There are also many benefits of winner-take-all markets. Consumers gain when technology allows them to be served by the world's most talented people.

The most serious shortcoming of this account is that blaming the incomes of the rich for social problems is a way of avoiding the underlying causes of these problems. For example, the proliferation of US lawyers stems in a large part from the litigiousness of US society: the lure of making a million bucks is hardly the whole answer.

Extreme wealth will always trigger moral indignation. But the authors fail to show that the world would be a better place if these excesses were curbed.

## World fixed interest yields

At 1pm 13.3.1998	US	Japan	UK	Germany	France	Switz
3-month	5.08	0.38	6.25	8.23	4.12	N/A
1-year	6.40	0.75	5.89	3.35	4.36	N/A
2-year	5.72	0.82	6.67	3.99	4.89	N/A
5-year	6.02	1.82	7.60	5.31	5.91	4.02
10-year	6.34	3.05	8.08	6.51	6.68	4.30
30-year	6.65	N/A	N/A	7.29	7.49	N/A
CPI	2.70	-0.20	2.80	1.50	2.00	0.80

UK index-linked: up to 5 years 3.00, over 5 years 3.80

Source: Reuters

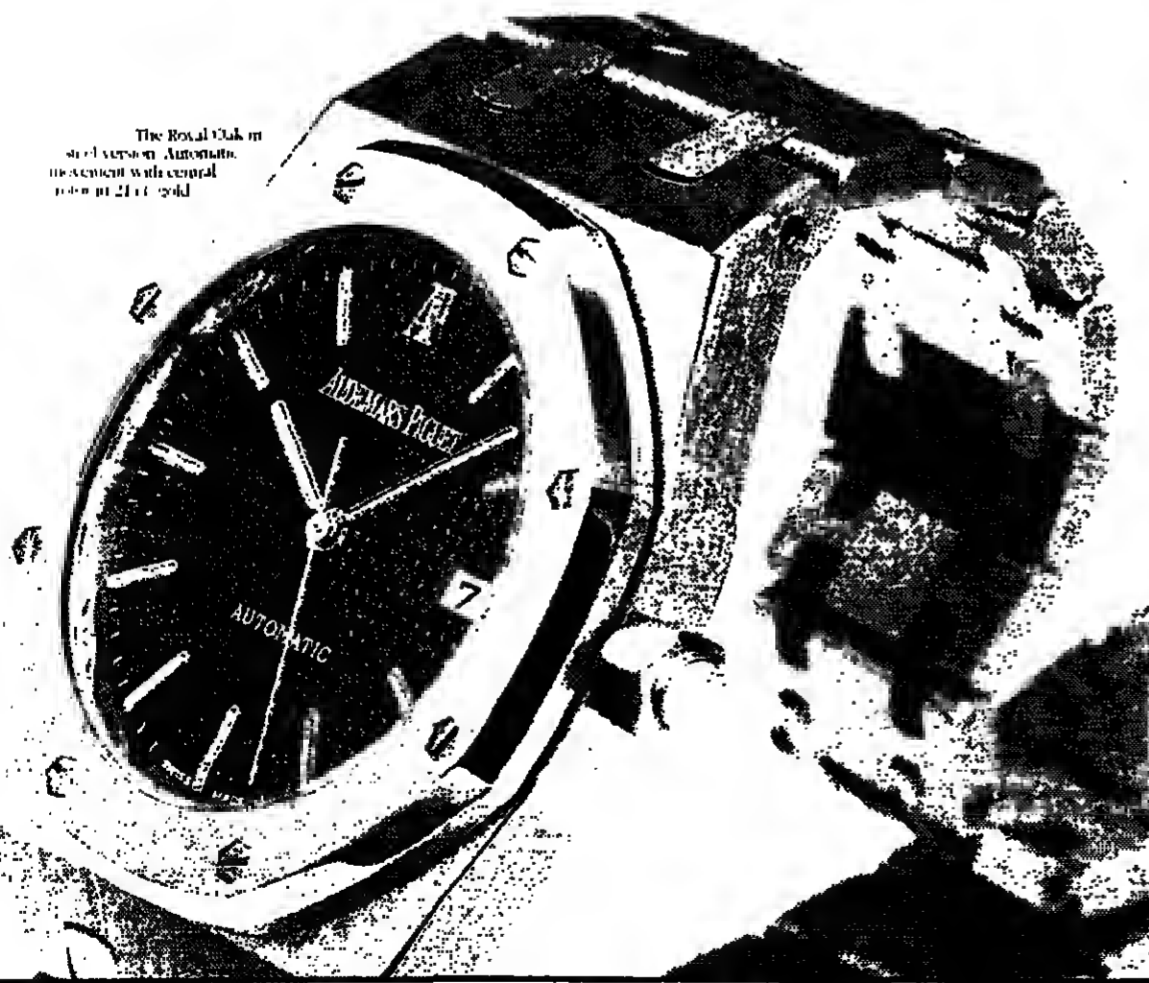
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## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 1UH

We are keen to encourage letters from readers around the world. Letters may be sent to 'line', e-mail: letters.editor@ft.com. Translation may be available for letters written in other languages.

## Paving the way for higher education funding

From Ms Diana Warwick.

Sir, Your leader "PFI not bad" (March 11) describes the alleged virtues of the Private Finance Initiative. It is difficult to see these virtues from inside the university system. Universities in England are about to suffer a 47 per cent cut in capital funding in the three years to 1998-99 on the government's mistaken assumption that PFI schemes will fill the gap.

The capital grants that universities receive are not only for "bricks and mortar". They are widely used for the purchase and maintenance of teaching and research equipment essential to produce

the world-class graduates which sustain the UK economy. Cost-savings in equipment purchase through the PFI are unlikely if good procurement procedures have been followed. There may, in fact, be additional costs. The cut in capital will mean less will be spent by universities on equipment, and this must have a significant effect on suppliers of academic equipment.

Some university buildings do produce a separate income stream and PFI schemes may be appropriate in these cases. However, most university construction work is for academic buildings, libraries and maintenance. These do not

normally offer additional income-generating opportunities. Normal loan finance typically provides better value for money than PFI for these schemes.

Universities already make extensive use of private finance through direct borrowing from banks, or using direct appeals. Private funding obtained in this way usually represents a good deal as universities are seen as good risks and can secure competitive rates, often more favourable than can a private developer within the PFI.

The substitution of private capital for public investment, through loans or the PFI,

means an additional charge on universities' recurrent funds which have been subject to a severe squeeze per student over the past few years. CYPE hopes the Dearing inquiry will pave the way for a new higher education funding system based on contributions from graduates according to their income. This will give universities the capital and recurrent funds they need to deliver world-class education.

Diana Warwick,  
Committee of Vice-Chancellors and Principals of the Universities of the United Kingdom,  
London WC1H 9EZ, UK

## European hegemony

From Mr K. A. Willson.

Sir, Robin Teverson ("Failure of EU parliaments", Letters, March 9/10) seeks union of Europhobe and Europhile. This week's white paper is a sham. Many, if not most of us, would be delighted to revert to a common market, the Economic Community (or less), without the trappings of a contrived union regimented by bureaucrats against the best interests of the electorates. Unite for fear of a "revival" of the old Germany is the call. Here we have hegemony attempted by economic means, which miracle itself appears to be falling spectacularly. Do not put all your eggs in one basket. Better to trade with the world and not rely on a cosy utopian-driven ideal.

K. A. Willson,  
Fleet, Hampshire  
GU13 9LS, UK

## Catching on

From Chalmers H. Goodlin.

Sir, Apparently Pat Buchanan reads the Financial Times. In Texas, he was seen wearing a white hat.

Chalmers H. Goodlin,  
2815 Granada Boulevard,  
Coral Gables,  
Florida 33134, US

## Reform required to beat corporate bribery

From Mr Karl A. Ziegler.

Sir, Your leading article ("Ending trade corruption", March 8) points out that corporate bribery, to win business overseas, is ultimately a mug's game. When companies are able to write off "selling expenses" against taxes due, they may feel vindicated in thereby winning some contracts in the short term. However, when the level of corrupt payments required to do the same business rises annually, serious companies must start to advocate worldwide reforms. Exposure and prosecution of corrupt givers and takers of bribes is on the increase due,

in large part, to the efforts of The Fifth Estate - the world's inquisitive press. People interested in fair trade and unfettered economic growth - many of whom are disenfranchised, poorest members of developing societies - will be most grateful for increased exposure of corrupt ruling elites within their fragile economies.

When "northern" exporters of goods and services increasingly lose market share to less scrupulous or bigger bribe-paying "southern" suppliers, they will probably scream for a level playing field. When "big ticket" construction or weapons contracts are

involved, and fewer decision-makers are instrumental in awarding contracts, the innate secrecy invites corrupt payments. When secrecy combines with ease of money-laundering, corruption thrives.

Therefore, the oxygen for banking corrupt payments, provided by the ever-expanding offshore banking industry, must also be frustrated by multinational sanctions and legal intervention.

Karl A. Ziegler,  
The Centre for Accountability and Debt Relief,  
Kimmerston St,  
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## Toughness at all costs

From Mr Paul Cavadino.

Sir, The Lord Chief Justice's criticisms of the home secretary's sentencing proposals understandably concentrate on the injustices which would result from the changes ("Lord Chief Justice rejects Howard proposals", March 7).

However, there is a further practical consideration of deep concern to those working to rehabilitate offenders - that Mr Michael Howard's measures would also prevent courts from passing the sentence most likely to stop reoffending. For example, many repeat

burglaries are driven by the need to feed a drug habit. Where the offender is willing to co-operate, probation and drug rehabilitation is much more likely than custody to prevent further crime. Yet with mandatory prison sentences courts would be forbidden to use this option.

The home secretary's proposals would therefore sacrifice both effectiveness and justice to a desire to emphasise toughness at all costs.

Paul Cavadino,  
183 Clapham Road,  
London SW9 0PU, UK

## More than a rogue trader

From Mr Paul Cleary.

Sir, If Nick Leeson wants to make a dent in the literary world then he should come up with a more imaginative title than *Rogue Trader*. May I suggest one of the following: *Baring my Soul*; *Back to the Future*; *Singapore Sling*; *Nickel Owl*; *How I put the Smelex in Smeex*; *The Luck of the Draw*; or *Blame it on the Raffles*.

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N 8039 Drammen,  
Norway



COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Thursday, March 14 1996

Peace versus terror

Moshe Dayan, Israel's defence minister in the 1957 war, once said he would rather have "Sharm el-Sheikh without peace than peace without Sharm el-Sheikh" (the tip of the Sinai peninsula, which Egypt had used to cut off Israel's access to the Indian Ocean). Wisser counsels eventually prevailed, and Israel gave back Sharm el-Sheikh in return for peace with Egypt. It was an appropriate place, therefore, for President Hosni Mubarak to host yesterday's summit, the purpose of which was not to threaten Israel but to assure it of the world's solidarity in the face of the threat it now faces.

Smoke signals

News yesterday that Liggett Group, the smallest of the five big US tobacco companies, is offering to settle an important lawsuit brought by smokers, initially sent tremors through the stock market. Further examination showed the proposal was not as far-reaching as it first seemed since it owed more to the corporate ambitions of Mr Bennett Lebow, chairman of Liggett's parent company, than to any real change in relations between the industry and its enemies.

Referendum row

There is much to be said for the argument that if and when a future UK government decided to join a single currency it would be obliged to seek the consent of the people in a referendum. Whatever the pros and cons, there is little doubt that sterling's replacement by a shared European currency would be a decision of great political and economic moment. As such it would require explicit endorsement by the electorate in a general election or, more likely, a plebiscite.

ism. By sharing the expertise so painfully acquired, they can help each other improve the rate of prevention and detection. They can also exchange intelligence, extradite suspects, and clamp down on activities in one state aimed at financing terrorism in another. But democracies can only extradite to others where they are confident the accused will receive a fair trial, and be treated humanely. And they can only restrict otherwise legal activities if there is clear proof of evil intent.

Smoke signals

A division would until now have been almost certainly blocked in court by litigants claiming it was designed to take assets from those seeking damages. The proposed settlement would, therefore, remove a big obstacle to Mr Lebow's plan for RJR Nabisco. Other tobacco companies, including industry leader Philip Morris, rightly declared they would maintain their determination to fight all legal claims. Nevertheless, Mr Lebow's moves show the dangers they face if one company breaks ranks.

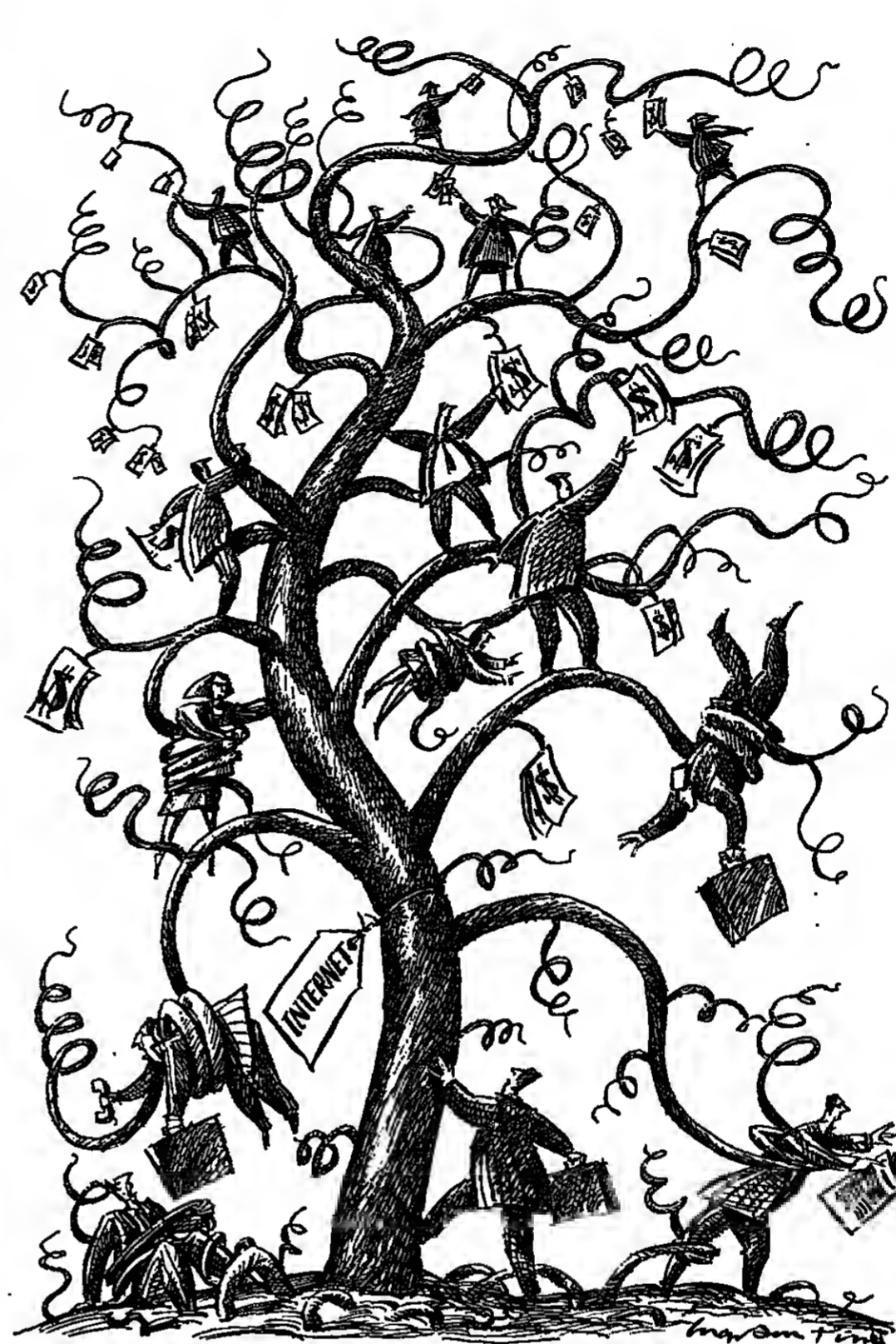
Referendum row

warnings from Conservative Central Office that Sir James Goldsmith's Referendum party could take vital votes away from Tory candidates fighting marginal seats at the general election. A majority in the cabinet also believes a referendum pledge would help preserve the uneasy truce on the Tory backbenches.

The online challenge flowers

Louise Kehoe and Paul Taylor on how the growth of the Internet is revolutionising the competitive environment for business

Rapid growth of the Internet, bringing online information services to millions of businesses and individual computer users, is changing the way businesses communicate with their customers, suppliers and within their own organisations. For many industries and companies the Internet spells opportunity. Others, however, are struggling to come to terms with technology that could undermine long-established business patterns.



Even industries that have so far observed the Internet with only mild interest may quickly find themselves challenged by new developments. Reed International, the world's largest publisher of academic journals, is one company that has already felt the pressure. Its share price fell sharply in December when Forbes, the US business magazine, suggested it might become the first "victim" of the Internet because colleges and libraries would cancel subscriptions in favour of finding research papers online.

services. E\*Trade Securities, a pioneer of securities trading via online services, recently launched an Internet service providing almost instant confirmation of US share and options trades. Yet while some industries may see the Internet as a threat, others perceive the global computer network as an opportunity to expand and operate more efficiently. Last year there were about 56m users worldwide, according to IDC, the technology market analysis group. IDC predicts that about 200m people will be on the Internet by 1999.

There are also sales opportunities for computer manufacturers such as Digital Equipment and companies such as Cisco Systems, which supply equipment that links data communications networks through the Internet. Sun Microsystems, the computer workstation manufacturer, has become the top supplier of "servers" for the Internet and developed Java, which writes computer applications on the Internet.

consumer information services including electronic meeting places or "chat-rooms". They must now compete with direct Internet access providers, such as Netcom and UUNET in the US and Pipex and Demon Internet in the UK. Some online services, including the Microsoft Network and Apple Computer's eWorld, have been forced to renege or close down. However, the online service providers are strongly placed to benefit from the huge interest in information services generated by the Internet. Many home computer users prefer online services, because their "front-end" software is easier to use than the direct Internet products.

Some online newspapers are planning to introduce subscription charges this year, but advertising looks to be a more promising source of publishing revenues on the Internet. Advertising revenues from Internet and on-line services totalled about \$55m (£36m) worldwide last year, according to Jupiter Communications, a US market research firm. But analysts predict it will rise to \$343m this year and \$5m a year by the end of the decade.

OBSERVER

Finger licking bad, they say

American poultry producers and congressmen were outraged when Russia recently threatened to ban US chicken imports, claiming they failed basic sanitary tests. US producers rejected the suggestion as a piece of blatant protectionism. Even Vice-President Al Gore entered the fray, banging his country's drumsticks - which for some peculiar reason are known as "Bush's legs" in Russia, in honour of the former Republican US president.

Olympic boycott

Observer's first law of selling is - hit the customer all ways. Delta Air Lines is a fine exponent of this axiom. Delta is the official carrier for the upcoming Olympic Games; naturally, it hopes to coin it by ferrying the hordes flocking into Atlanta.

Demon bowling

Pakistanis don't easily accept defeat in cricket, a national obsession, especially when the winner is India - the other national obsession. Hardly surprising then, that Islamic fundamentalists have blamed the country's defeat in the quarter-finals of the World Cup on the goddess festivities connected to the competition, including the involvement of an Indian beauty queen in the opening ceremony.

Sharp shooter

The late Eric Sharp, who led Cable & Wireless into the private sector, would have been distressed by the recent shenanigans surrounding his old company. Having put C&W on the international map with a series of brilliant deals, such as the acquisition of the Hong Kong Telephone Company, he would have despaired at the cack-handed way it's apparently put itself on the auction block.

100 years ago

Italy and Abyssinia Further despatches from Major Salza state that the negotiations for peace have made much progress. No details are known, but a very confident feeling prevails in official circles. It is even asserted that the official announcement of the conclusion of peace will be made on Tuesday at the opening of Parliament. The "Italia Militare" states that the terms of peace offered by Menelik are more advantageous and honourable to Italy than could have been hoped for. He does not attempt to pose as a conqueror. [An Italian invasion of Abyssinia (now Ethiopia) was defeated at the battle of Adowa by the Emperor Menelik II.]

50 years ago

Prices marked down Markets became definitely "political" yesterday on the latest Soviet-Persian developments. Lower and wider prices all round were quoted at the opening, mainly on the announcement by the U.S. State Department that Russian forces have been moving towards Teheran, the Persian capital. Towards the close an agency message that the Prime Minister of Persia had declared that he had no confirmation of the reported Russian troop movements was sufficient to bring about a small recovery.

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The Macmillan Stock Exchange Yearbook 1996. No. 1 for in-depth information on all SE-quoted companies and securities.

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## News Corp ally claims high-level Beijing contacts

# Murdoch's Star TV may sign Chinese cable deal

By Tony Walker in Beijing and John Riddling in Hong Kong

Mr Rupert Murdoch's loss-making Star TV network, in a new effort to break into China, is understood to be close to agreement with a Hong Kong-based company with high-level connections to the People's Liberation Army.

Star TV is hoping to involve either China Central Television (CCTV) or China's Ministry of Radio, Film and Television (MRTV) in a three-way deal with Carefree Development, an off-trading company, to establish a cable network possibly to be known as Phoenix.

Carefree has indicated to Star that its allies in the Chinese leadership include a member of the Central Military Commission, the top organisation of the People's Liberation Army (PLA).

expressed surprise over recent reports that Mr Murdoch was on the verge of striking a deal which would give his Star network cable access to China. "We don't know where these reports are coming from and as far as we are concerned they are not correct," said a CCTV spokesman.

Star TV executives are discussing a memorandum of understanding with Carefree, which has representation in both Hong Kong and Beijing. However, it is not clear if such a "bare bones" agreement will lead to anything concrete for Star.

Approval would almost certainly require the approval of China's leadership. Beijing has resisted foreign involvement in Chinese media, fearing a dilution of its rigid control.

Mr Murdoch, whose Star TV is losing \$80m-\$100m a year, has been exerting pressure on his Hong Kong executives to break into the China market. "Rupert is on their backs the whole time over the China thing," said the representative of a western satellite provider whose company has business with Mr Murdoch's News Corporation.

But Mr Murdoch faces other obstacles. His 1993 statement that

satellite broadcasting posed an unambiguous threat to totalitarian regimes has not endeared him to Beijing.

Star TV claims an audience of 33m households in China with its satellite broadcasts, but advertising revenues are thin and unless it can secure cable subscriptions for its programming, prospects for an early turnaround in its fortunes are not good.

In Hong Kong, a Star representative refused to comment on a possible tie-up with Carefree, but hinted at an announcement soon. A Carefree representative also declined to comment.

Under Star TV's proposal, three channels would provide entertainment and sport.

But CCTV's ambitions pose a potential obstacle to Mr Murdoch's plans. A western media consultant familiar with CCTV said senior executives wanted to develop their own cable network and had already set up such a service.

But if Star does secure cable access to China's vast TV audience this would almost certainly prompt a "gold rush" by other broadcasters. Star would be most unlikely to be given a monopoly in the vast China market.

## Summit pledges crackdown on terror networks

By David Gardner in Sharm el-Sheikh and Julian O'Carroll in Jerusalem

Leaders of 29 nations agreed yesterday to crack down on terrorist networks as part of an international effort to salvage the Middle East peace process, endangered by recent suicide bombings in Israel.

Follow-up meetings to monitor progress in intelligence sharing and in a cross-border attack on sources of terrorism funds are to begin in about two weeks. They will be under US chairmanship and will report within 30 days, according to US President Bill Clinton.

Mr Clinton is co-host with Egyptian President Hosni Mubarak of the one-day summit in the Egyptian Red Sea resort of Sharm el-Sheikh. The US president said the Palestinian Islamist group, Hamas, whose four suicide attacks in nine days killed 58 Israelis: "You will not succeed; your day has passed. Peace will prevail."

In a message to the summit, Hamas defended its use of armed attacks against Israel as legitimate resistance against Israeli occupation of Arab lands, held in defiance of United Nations resolutions.

The summit, to garner international backing for a regional coalition against the bombers, pledged support for the Israeli-Palestinian peace accords, begun in 1993, and for continuing efforts to reach a comprehensive Middle East settlement, including Syria, which boycotted the meeting.

It also called for more financial aid for the Palestinian autonomous government headed by Mr Yasser Arafat, whose authority has been denied by Israel's blockade after the bombings and partial re-occupation of areas from which it had withdrawn.

"Our purpose here is to bolster confidence among Palestinians and Israelis, and for that we need peace, security and basic prosperity," Mr Clinton said.

Mr Arafat and Mr Shimon Peres, Israel's prime minister, who is struggling to avoid defeat by a right-wing coalition at elections in May, both said they were satisfied with the summit conclusions. Mr Arafat said later that the blockade would be eased in the coming days.

The summit also brought together European Union leaders, including Mr John Major, the UK prime minister, and Germany's Chancellor Helmut Kohl, and was also attended by Russia's President Boris Yeltsin.

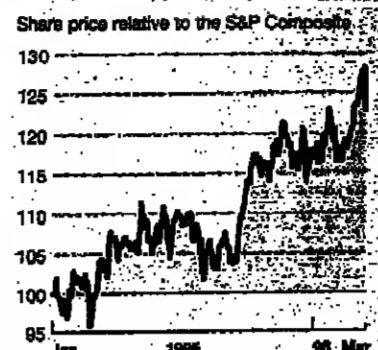
US officials said Mr Clinton, who arrived in Israel last night to demonstrate support for Mr Peres and the peace process, had asked Mr John Deutch, CIA director, to stay in Israel to begin co-ordinating the anti-terror drive.

Editorial comment, Page 13

## THE LEX COLUMN Smoke alarm

FT-SE Eurotrack 200: 1646.6 (+3.0)

Philip Morris



Source: FT Estm

new business groups are being set up actually to run things. That Unilever has only just recognised the need clearly to separate the two speaks volumes about its culture - most of its competitors have been operating like this for years.

How quickly this exercise leads to change on the ground remains to be seen. After seven months of gestation and the employment of four separate management consultants, the market was hoping for something more far-reaching. But Unilever is acutely aware that it has been losing ground to rivals like Procter & Gamble. As the new structure is implemented over the next few months, it is likely to trigger further restructuring and disposals.

Even so, Unilever has sidled away from a more fundamental reorganisation. The group will continue to operate with two boards, two co-chairmen, separate headquarters in Holland and the UK and two classes of shares. A commitment to sweep away that dual structure - as tax and legal issues permit - would have given yesterday's reorganisation real bite.

### Reed Elsevier

Reed Elsevier is preparing the market for its next big deal. The sparkling performance of Lexis-Nexis, the media group's last big \$1.5bn purchase, suggests investors should welcome the prospect. Operating margins at the US legal publisher have risen from 10 per cent in 1988 to 15 per cent last year. The effect has been to boost Reed Elsevier's pre-tax profits by \$24m (\$36.7m), once the cost of financing the acquisition is deducted.

The near 7 per cent enhancement to earnings has been even sharper because of the deal's tax-efficiency. If Reed can improve Lexis-Nexis' margins to the 25 per cent enjoyed by West Publishing, its main rival, shareholder value will have been dramatically improved.

The next acquisition could be bigger. Without a purchase, Reed Elsevier will have no net debt by the year-end. Even a \$3bn acquisition could be comfortably financed, as net debt would only be a quarter of the group's market capitalisation. If Reed Elsevier could work the same magic as it has with Lexis-Nexis, shareholder value would again be enhanced. Anybody tempted to invest in anticipation of such an acquisition should buy Reed shares which, for some mysterious reason, are 14 per cent cheaper than Elsevier's.

Additional Lex comment on Schroders, Page 22

### South Africa

South Africa's government may be cash-strapped, but yesterday's budget underlines its eagerness to woo investors. Taxes on share transactions and dividends have both been halved; and the new tax on pension funds' interest and rental income is less draconian than feared. The nagging problem remains the bloated budget deficit. This is to be cut a little. But at 5.1 per cent of gross domestic product next year - a figure flattered by oil sales - it is still too big.

The deficit is eating up a hefty chunk of South African savings, which could otherwise be financing growth-generating private investment. And it is keeping real interest rates too high. Meanwhile public spending is still growing faster than inflation, taxes are growing even faster and privatisation proceeds are still nil. This is not a helpful cocktail for an economy whose biggest need is to accelerate its growth.

Many in South Africa will also have been disappointed not to see further relaxation in exchange controls; expectations had been running high. Given the recent sharp drop in the value of the rand, it is perhaps not surprising that the government is cautious. But the rand's fall is really a reason for pressing on, not holding back. For one thing, until exchange controls go, speculation about further relaxation will itself encourage volatility of precisely this kind. For another, now that the currency has fallen, the market is more likely to take relaxation in its stride. Everyone agrees that the controls should go; there is a powerful case for getting on with it.

BP British Petroleum certainly knows how to please investors. The company's new target - a 50 per cent increase in earnings over the next five

### Unilever

Unilever's management reorganisation is a long overdue bit of modernisation. By the group's own account, most of its top executives had a mix of responsibilities, setting strategy in some areas and running operations in others. As often as not, the result was confusion. In future, a seven-man committee will set the strategy, while 14

## World Bank asked to back debt plan

Continued from Page 1

and as many as 20 countries, mainly in Africa, could benefit from proposals, nearly a year in the making, which include:

- A trust fund, set up and administered by the bank, funded from the bank's surplus income and by aid donors. This, says the paper, "would be used to prepay or service a portion of the multilateral debt obligations" of eligible heavily indebted poor countries. The size of the fund is not disclosed, but could involve annual outlays of around \$400m.
- Paris Club rescheduling would be expected to rise from 67 per cent of debt stock to 90 per cent where necessary;
- New financing from multilateral lenders.

In a memorandum to the executive directors, Mr Wolfensohn says: "The essence of the proposal is to offer those heavily indebted poor countries with unsustainable debt burden and which demonstrate a record of sound economic policies and management, the assurance that their debt burdens will be brought down to sustainable levels within a reasonable time period." It might entail reducing the present value of debt owed to multilateral creditors, "but the actions proposed are designed to fully protect the financial integrity and preferred creditor status of the multilateral institutions".

## Day of reckoning rubs the shine off the 'glistening' bank

By Kevin Done, East Europe Correspondent, in London

The slabs of rough-hewn Carrara marble, the mirrored ceilings and the marble floors still adorn the entrance halls of the European Bank for Reconstruction and Development in the City of London. But on the 11th and 12th floors, the building workers have moved in.

The beautiful light syamore panelled offices, where Jacques Attali once held court on the top floor as the first president of the EBRD, have been given over to the more mundane purposes of a training room.

Flip charts, an overhead projector screen and utilitarian chairs and desks clutter the view of the exquisite designer cabinets and bookshelves.

The moment of final balance sheet reckoning, at what was once ironically called the "glistening bank", has arrived. In its profit and loss account for 1995, the bank says the depreciation charge has been doubled to Ecu21.46m (\$26.8m) following "measures taken to achieve a more efficient use of the headquarters building".

Europe, is coming to terms with its lavish early years.

The 12th floor is being given over to training and offices for the banking staff. On the 11th floor the long corridors of executive dining rooms, each one bearing the name of a European composer, are being dismantled.

Now the directors eat in the ground-floor staff restaurant, and the guest dining room is next floor with the same food.

In early 1992 the EBRD was engulfed by controversy over the extravagance of its £55.5m expenditure on fitting out the building. Under heavy attack for his own profligate management style, Mr Attali departed.

The new regime of Mr Jacques de Larosiere was quick to change course and for the past 2 1/2 years the EBRD has been on a crash slimming course. Saws are cutting into the carefully crafted wooden floors at the top of the building to install sockets and wiring for PCs for the bankers.

The architecture critics who heaped plaudits on the building at its inauguration may well be appalled, but the EBRD is clearly hoping that the impact on its shareholder governments will be more benign, as it seeks backing for a doubling of its equity capital at its annual meeting in Sofia, Bulgaria next month.

### FT WEATHER GUIDE

#### Europe today

High pressure over north-western Russia will push several low pressure areas towards the Mediterranean. Rather cold easterly winds circulating around the high will sweep across the northern parts of the continent, keeping temperatures below seasonal levels. Eastern Europe will have cloudy periods with patchy snow in Poland and the Czech Republic. The Benelux, Germany and north-eastern France will be dry with sunny periods. A series of low pressure areas will cross the UK and Spain towards southern Europe. As a result, Ireland and western and southern France will have rainy periods. Spain will have several showers. Plenty of rain is also expected in southern Italy, south-east Europe and later in Turkey. Southern Europe will turn milder with some afternoon temperatures exceeding 15C.

#### Five-day forecast

Low pressure areas will linger over the UK and southern Europe, producing cloud, showers and periods of rain. Skies in southern Spain will clear. The Benelux and Germany will have increasing cloud followed by patchy rain. Temperatures will rise, despite the prevailing easterly winds. During the weekend, maximum temperatures will be about 8C.

Warm front Cold front Wind speed in KPH

City	Temp	City	Temp	City	Temp	City	Temp
Abu Dhabi	22	Algiers	14	Amsterdam	sun	Antwerp	rain
Bahia	22	Berlin	14	Birmingham	sun	Bombay	sun
Batavia	22	Bombay	sun	Buenos Aires	sun	Burgas	sun
Beijing	sun	Bombay	sun	Buenos Aires	sun	Burgas	sun
Bombay	sun	Buenos Aires	sun	Burgas	sun	Calcutta	sun
Buenos Aires	sun	Burgas	sun	Calcutta	sun	Dakar	sun
Burgas	sun	Calcutta	sun	Dakar	sun	Dhaka	sun
Calcutta	sun	Dakar	sun	Dhaka	sun	Delhi	sun
Dakar	sun	Dhaka	sun	Delhi	sun	Dubai	sun
Dhaka	sun	Delhi	sun	Dubai	sun	Dublin	sun
Delhi	sun	Dubai	sun	Dublin	sun	Dubrovnik	sun
Dubai	sun	Dublin	sun	Dubrovnik	sun	Edinburgh	sun
Dublin	sun	Dubrovnik	sun	Edinburgh	sun	Faro	sun
Dubrovnik	sun	Edinburgh	sun	Faro	sun	Frankfurt	sun
Edinburgh	sun	Faro	sun	Frankfurt	sun	Geneva	sun
Faro	sun	Frankfurt	sun	Geneva	sun	Glasgow	sun
Frankfurt	sun	Geneva	sun	Glasgow	sun	Hamburg	sun
Geneva	sun	Glasgow	sun	Hamburg	sun	Helsinki	sun
Glasgow	sun	Hamburg	sun	Helsinki	sun	Hong Kong	sun
Hamburg	sun	Helsinki	sun	Hong Kong	sun	Indonesia	sun
Helsinki	sun	Hong Kong	sun	Indonesia	sun	Islamabad	sun
Hong Kong	sun	Indonesia	sun	Islamabad	sun	Jaipur	sun
Indonesia	sun	Islamabad	sun	Jaipur	sun	Jersey	sun
Islamabad	sun	Jaipur	sun	Jersey	sun	Karachi	sun
Jaipur	sun	Jersey	sun	Karachi	sun	Kuala Lumpur	sun
Jersey	sun	Karachi	sun	Kuala Lumpur	sun	Lagos	sun
Karachi	sun	Kuala Lumpur	sun	Lagos	sun	Las Palmas	sun
Kuala Lumpur	sun	Lagos	sun	Las Palmas	sun	Lima	sun
Lagos	sun	Las Palmas	sun	Lima	sun	Lisbon	sun
Las Palmas	sun	Lima	sun	Lisbon	sun	Luxembourg	sun
Lima	sun	Lisbon	sun	Luxembourg	sun	Lyon	sun
Lisbon	sun	Luxembourg	sun	Lyon	sun	Madras	sun
Luxembourg	sun	Lyon	sun	Madras	sun	Madrid	sun
Lyon	sun	Madras	sun	Madrid	sun	Manchester	sun
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Medan	sun	Melbourne	sun	Mexico City	sun	Miami	sun
Melbourne	sun	Mexico City	sun	Miami	sun	Montreal	sun
Mexico City	sun	Miami	sun	Montreal	sun	Moscow	sun
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Nassau	sun	New York	sun	Nice	sun	Nicosia	sun
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Nice	sun	Nicosia	sun	Oslo	sun	Paris	sun
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Rangoon	sun	Reykjavik	sun	Rio	sun	Rome	sun
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Singapore	sun	Stockholm	sun	Strasbourg	sun	Sydney	sun
Stockholm	sun	Strasbourg	sun	Sydney	sun	Taipei	sun
Strasbourg	sun	Sydney	sun	Taipei	sun	Tel Aviv	sun
Sydney	sun	Taipei	sun	Tel Aviv	sun	Tokyo	sun
Taipei	sun	Tel Aviv	sun	Tokyo	sun	Warsaw	sun
Tel Aviv	sun	Tokyo	sun	Warsaw	sun	Washington	sun
Tokyo	sun	Warsaw	sun	Washington	sun	Wellington	sun
Warsaw	sun	Washington	sun	Wellington	sun	Winnipeg	sun
Washington	sun	Wellington	sun	Winnipeg	sun	Zurich	sun
Wellington	sun	Winnipeg	sun	Zurich	sun		
Winnipeg	sun	Zurich	sun				
Zurich	sun						

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

This announcement appears as a matter of record only.  
December 1995



- Financing facilities provided by
- Credit Suisse
  - Enskilda
  - HSBC Holdings plc
  - ING Group
  - Svenska Handelsbanken
  - Swiss Bank Corporation
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Financial adviser to Tetra Laval  
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TURNROUND AT KRUPP HOESCH

# How Cromme engineered the rebirth of a German titan

Michael Lindemann meets the man who organised the country's biggest hostile takeover and upset the Ruhr

Mr Gerhard Cromme rarely gives the impression of dithering. Choosing a career was something he did with typical single-mindedness. Despite hailing from an academic background - his father taught Latin and Greek and young Gerhard learnt both - he was never in much doubt about what he wanted to do.

"I wanted to make things happen, to have a hand in shaping things," he says, as he sits in the back of a company minibus racing along a north German motorway after a day probing management and workforce at Hoesch Rothe Erde, one of about 50 Krupp subsidiaries.

Since becoming chief executive of Krupp in March 1989, he has certainly made things happen. He has engineered one of Germany's first - and biggest - hostile takeovers by snapping up the Hoesch steel and engineering conglomerate in neighbouring Dortmund.

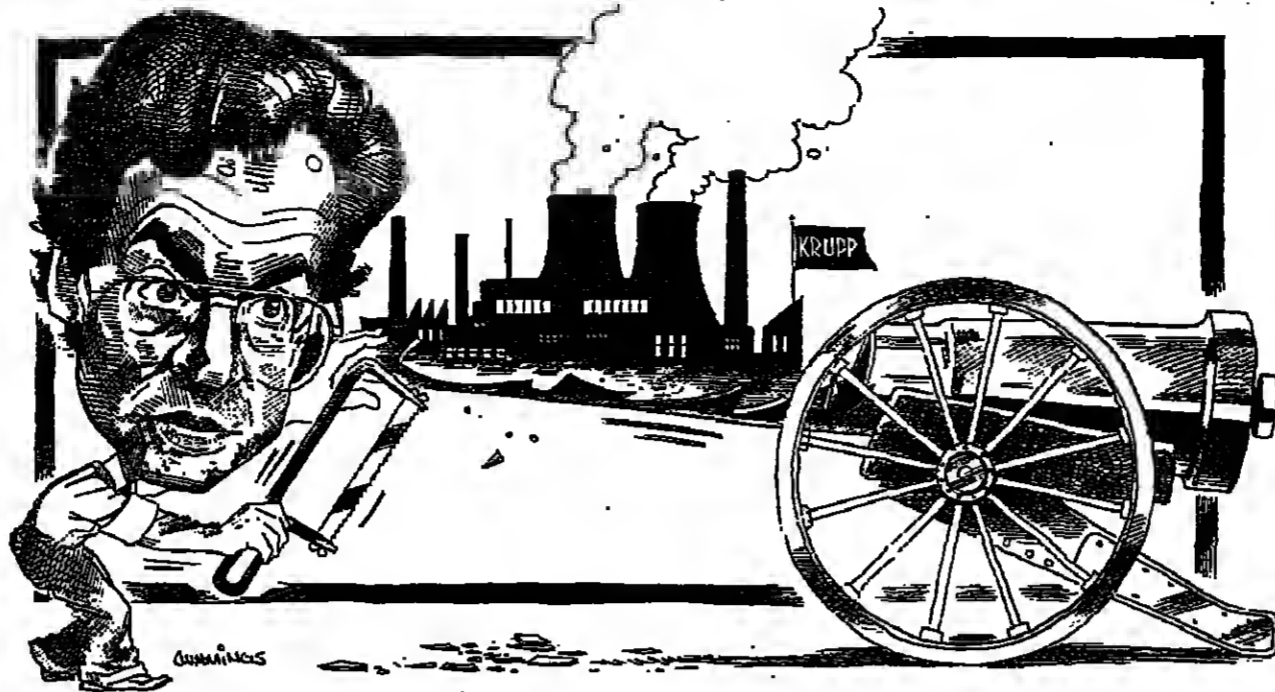
It was a coup which riled many in the Ruhr area, the heartland of German industry where consensus is still preferable to confrontation. In the process he also took on Deutsche Bank, which was advising Hoesch. He left the bank looking amateurish.

He has also had the opportunity to confront thousands of steelworkers, furious that Krupp wanted to shut down its Rheinhausen steelworks. The move was aimed at streamlining the merged group's steel operations. Many workers spent months outside Mr Cromme's house venting their anger.

But despite such pressure, the lanky chief executive persevered. He has given a new lease on life to a conglomerate which in the 1980s had an unfortunate habit of losing chief executives and came dangerously close to becoming an industrial relic.

The Hoesch takeover, Mr Cromme says, was instrumental. It was something his predecessors at Krupp - and those at Hoesch, too - had toyed with in the 1960s. The merger almost doubled sales to DM22bn (\$18.9bn) and allowed the company to expand its core activities and give them a greater international reach.

He bought Accia Speciali Terni, the Italian stainless steel producer, and persuaded Thyssen, Germany's biggest steelmaker, to bring its stainless operations into a joint venture led by Krupp Hoesch. The Essen-based group has become the world's largest stainless



steel producer with sales of DM6.5bn and a 17 per cent share of the world market, just ahead of the French steelmaker Usinor Sacilor.

In the automotive division, too, a merged Krupp Hoesch was able to offer broader range of products, manufactur-

ing entire axles and steering systems rather than just shock absorbers and other individual components. The additional scale and more sophisticated products has opened up new markets, Mr Cromme says. The group is negotiating to supply products for the first time to

Renault, the French carmaker.

Mr Cromme hopes to do the same with the plant-making division, a normally lacklustre business. He has spent about DM700m to buy Uhde, the plant-making unit of the Hoesch chemicals group. This business will complement

Krupp Koppers and Krupp Polysius - two businesses which, Mr Cromme says, had few prospects on the international stage by themselves.

He has also disposed of smaller businesses which did not fit into Krupp Hoesch's portfolio.

Talks are currently under way to sell the mining and construction equipment division of Orenstein & Koppel, another well-known Krupp name.

Having got this far, however, what happens next?

Mr Cromme himself admits that Krupp Hoesch continues to produce what he calls "products of the second industrial revolution".

Other one-time steelmakers like Thyssen and Mannesmann have ventured into telecommunications with varying degrees of success. Some believe Krupp should find new activities with which to supplement its traditional steel and engineering businesses.

Mr Cromme, though, is not impressed. Telecoms businesses require considerable investment with uncertain returns for new would-be players. Besides, he points out, in the early 1990s when these investment decisions were being made, Krupp was fighting to keep its head above water. It had no money for new business like telecoms.

"We are industrialists, not visionaries," he likes to say, a veiled reference to Mr Edzard Renter, the former chief executive of Daimler-Benz, whose aerospace and electronic engineering purchases in the early

1990s have led to a DM6bn loss this year, the largest in German corporate history.

Instead, Mr Cromme says, Krupp will go on expanding its core steel and engineering activities and expand abroad in countries like Mexico, Brazil and India, and above all in Asia. "We now have the money to take advantage of chances which become available worldwide. Those chances exist and the risks of building up activities... are considerably smaller than if we venture into new ones."

There are other changes, too, at Krupp. Because 85 per cent of its equity was held by a motley collection of shareholders made up of the Krupp foundation, the government of Iran and the Düsseldorf-based WestLB public sector bank, the company aroused little interest among investment analysts.

It is not clear that any one of those investors want out, least of all the Krupp foundation which holds 52 per cent, but Mr Cromme hopes he can spark more interest among analysts and investors. For the first time he will invite them to Essen in May to take them through the company's accounts on the same day it publishes its full annual results.

■ END OF AN OLD IMAGE

## Shadow of Big Bertha now cast off

History, and it is something that Krupp executives are still touchy about, has earmarked Krupp as one of the world's biggest arms manufacturers.

In her award-winning book *August 1914*, Barbara Tuchman relates how in 1914 the company built, in utmost secrecy, a gigantic siege gun better known as the Big Bertha, in honour of Friedrich Alfred Krupp's eldest daughter.

With a 165 inch calibre, the gun was the largest the world had ever seen - "a monster which weighed ninety-eight tons, fired a shell a yard long weighing 1,800 pounds at a range of nine miles and required a crew of 200 attendants."

When the guns were pulled into Liège, the first obstacle on the German push towards

Paris in 1914, eye witnesses recalled how "the pavement trembled" when they fired - "the earth shook like an earthquake and all the window panes in the vicinity were shattered."

Up to 50 per cent of business in the run-up to the first world war was arms. Later, during the second world war, Krupp was the leading builder of the battle cruisers, U-boats and tanks which equipped Hitler's armies. In 1945, the company employed 277,000 people, many of them forced labourers and about 50,000 of whom were still on the payroll even though they were soldiers on active duty.

Given its position at the heart of Hitler's arms making apparatus, the Allies attempted to pull the company to bits after the second world war, forcing the Krupp family to sell the steel and coal business at its heart.

The divestment orders were never properly fulfilled, in part because there were no buyers for these businesses, but they hung over the company until 1988.

Now, as part of the sweeping changes within the company, that too has now changed, to such an extent that Krupp no longer has anything to do with arms making.

The business of building turrets for Leopard 2 tanks, a job which used to be done by the Kiel-based Krupp MaK, was sold to Rheinmetall Industrie-technik in 1990 in an effort to focus MaK's activities solely on a range of new diesel engines. The firing systems for tanks,

part of Krupp Atlas Elektronik, were also sold off in 1991, in this case to Bremer Vulkan, the shipbuilding and engineering group which recently had to file for protection from its creditors.

Mr Gerhard Cromme, chief executive, cannot suppress a wry smile when he points out that the arms businesses were sold at a time when Daimler-Benz, Germany's biggest industrial group, was still busy consolidating its newly acquired aerospace and defence interests. Those businesses are now hemorrhaging money to such an extent that Daimler-Benz has forecast a loss of DM6bn for 1995 - the worst loss in German corporate history excepting fraud or bankruptcy.

ML

■ RESTRUCTURING PROGRAMME

## Harnessing the merger's 'energies'

Mr Gerhard Cromme says the takeover of Hoesch, one of Krupp's oldest rivals, was an operation which was minutely planned. He occasionally admits that he was quite lucky that it all went as planned.

What most definitely surprised him were what he describes as the "energies" released by the takeover.

"Both companies had rigid, encrusted structures which came apart when people realised what new opportunities presented themselves following the merger," he says.

In part to harness those "energies", he drew up a programme to review all tiers of management and peer into every nook and cranny of the sprawling conglomerate to work out what could be done better in future.

The restructuring programme was drawn up by the Boston Consulting Group, but from the outset Mr Cromme wanted Krupp employees themselves to see the project through. "I didn't want any clever consultants to come and make smart comments and then disappear again," he said.

Now the 4K programme - which stands for clients, costs, creativity and communication - is being religiously applied at each of Krupp Hoesch's several dozen subsidiaries.

At Hoesch Rothe Erde, the world's leading maker of slewing rings and one of the group's best earners, it emerged, for instance, that the people taking in new orders and those processing them worked in completely different buildings.

That meant orders were not processed as quickly as they should have been, partly because of the endless to-ing and fro-ing between offices.

The relevant employees have since been moved next to each other and already orders are progressing more quickly. The aim is to halve the processing times compared with what they were when 4K was first introduced last May.

"You may not think that one small change will make any difference," Mr Cromme says, sitting across the table from the twelve 4K Sprecher, or spokesman, who have been appointed at HRE. "But I can assure you that cumulatively they will make a difference."

The 4K programme seems to be having some effect. The first time Mr Cromme stood up

in front of about 100 employees hoping to have a lively discussion about the shortcomings of the 4K project, barely anyone opened their mouth.

On the most recent trip employees straight off the shop-floor were prepared to take on their chief executive - even though most of them were meeting him for only the second time.

"It became clear that at first the people in middle management were blocking the 4K programme because they were afraid it would reflect poorly on them," Mr Cromme said. "That has meanwhile changed. There is a certain layer of concrete that you have to get through to reach the workforce themselves."

ML

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March 1996

13,800,000 Shares

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DRESDNER BANK-KLEINWORT BENSON

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INTERNATIONAL COMPANIES AND FINANCE

# Novo Nordisk up 12% despite currency effects

By Hilary Barnes in Copenhagen

Pre-tax profits at Novo Nordisk, the Danish pharmaceuticals and enzymes producer, increased 12 per cent from Dkr1.93bn to Dkr2.15bn (\$376m) last year, but both sales and earnings were held back by negative exchange rate movements.

Turnover was up by only 1 per cent, or Dkr200m, to Dkr13.72bn. A substantial increase in sales by volume and product mix was offset by a 5 per cent appreciation of the krona against Novo Nordisk's invoicing currencies, a preliminary statement said.

Operating profits also increased by 1 per cent, to Dkr28m to Dkr2.07bn, but with unchanged exchange rates they would have risen 20 per cent.

Last year showed net financial income of Dkr78m, against a net cost of Dkr118m in 1994. There was an increase in earnings per share from Dkr38.17 to Dkr41.66. An unchanged dividend of Dkr5 a share was proposed.

The result was in line with analysts' expectations but was greeted with a Dkr25 increase in the share price to Dkr787.

Novo Nordisk attributed last year's advance to its strategy of concentrating on core businesses.

It disposed of its less profitable activities, including the biological plant protection division, a bulk penicillin plant in Italy and a blood plasma unit, and is closing an enzymes factory in Japan.

Income of Dkr587m from asset disposals and a reduction in investment in tangible assets were the main factors in an increase in free cash flow from Dkr399m to Dkr1.51bn.

The group forecast an increase in operating profits by 15-20 per cent in 1996 if exchange rates remain stable. Costs are expected to grow more slowly than sales, but total costs will increase as a result of a further strengthening of the healthcare division's marketing organisation outside Denmark, and the introduction costs of a new epilepsy treatment and a product for haemophilia patients with an antibody reaction.

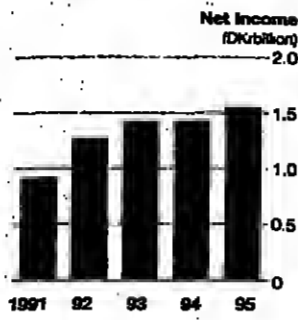
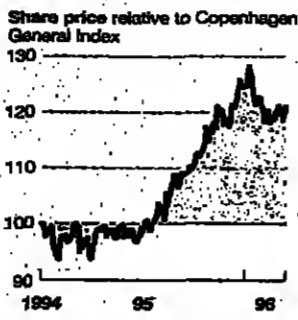
Sales of the group's insulin

## COMPANY PROFILE: Novo Nordisk

Market capitalisation	Dkr24.6bn
Main listing	Copenhagen
Historic P/E	20.04
Gross yield	0.65%
Earnings per share (1994)	Dkr38.17
Current share price	Dkr785



Mads Olesen managing director



and diabetes care products rose by 4 per cent to Dkr6.74bn, but the group said sales in the important US market advanced only marginally.

Deliveries to the US were back to normal after delays in bringing an insulin plant to North Carolina on stream in 1994, but progress last year was less than expected.

Sales of other healthcare products, including female hormone therapy products, antidepressants and human growth hormones, increased by 20 per cent to Dkr3.29bn. Sales

by the industrial enzymes division slipped 2 per cent to Dkr3.38bn.

Volume sales were ahead by 8 per cent, but the krona appreciated by 8 per cent against the currencies in which enzymes are invoiced.

The group noted that taxes, which at Dkr595m last year, were 27.5 per cent of pre-tax profits, will rise to 29 per cent next year as a result of changes to the Danish tax regime.

Since 1993 the tax take has risen from 23.9 per cent.

# Murdoch learns to be a partner

The link with BSKyB means a lot to Bertelsmann, says Judy Dempsey

Mr Rupert Murdoch, chairman of News Corporation, will not control the new digital television alliance forged last week between BSKyB, his UK satellite company, Canal Plus, the French commercial television company, and Bertelsmann, Germany's largest media group.

Instead, according to Mr Michael Dornemann, head of Bertelsmann's BMG Entertainment and who helped mastermind the alliance, "it will be a partnership of equals, with Bertelsmann managing the German side of the operations".

The partnership intends to invest \$1bn over the next five years and aims to win about 5m subscribers within seven years. "We will get it together bit by bit," said Mr Dornemann yesterday. But he warned that the development of digital television in Europe would be slower than people expected.

Mr Dornemann, who retreated last Sunday to the Swiss mountain resort of Zermatt after clinching the deal with Mr Murdoch, must have anticipated the question about whether Mr Murdoch would swallow up Bertelsmann. He laughed. "If possible, you like to take control in business. But if you have partnerships, there

is no way only one [partner] will dominate."

The alliance with BSKyB means a lot to Bertelsmann, and especially to Mr Dornemann who has spent months flying between New York, where BMG is based, Los Angeles, Paris and Gutersloh, the German headquarters of Bertelsmann. He believes the deal will fundamentally shape its future strategy.

Bertelsmann's core businesses - books, hook clubs, music, magazines and publishing - will continue to be developed. The books division last year had sales of DM6.8bn (\$4.58bn) and BMG Entertainment, which includes television and music publishing, had sales of DM7.8bn. Group net profits rose 6 per cent, from DM795m to DM855m, on sales of DM20.6bn.

But the alliance with Canal Plus and Mr Murdoch will, in Mr Dornemann's view, test Bertelsmann's skills at running television and developing digital television. Its previous experiences with television have not been good. Vox, Bertelsmann's private - and free - channel, was saved from bankruptcy two years ago by Mr Murdoch who bought a stake and turned it around.

"And he did not dominate that," said Mr Dornemann.

And with RTL, Germany's largest commercial television network, which enjoys a 16 per cent market share and which is also owned by the Luxembourg-based Compagnie Luxembourgeoise de Telediffusion (CLT), Bertelsmann's skills have never been tested. CLT has always called the shots. But Bertelsmann expects to have greater influence over strategy now that, together with its allies, the WAZ newspaper group, it has 50.1 per cent of the shares.

But it is Premiere, Germany's only pay-TV, that will be crucial to Bertelsmann and Mr Murdoch making digital television a success in Germany.

Premiere has 1.1m viewers and, says Mr Dornemann, is growing at the rate of 3,000 new subscribers a day. It is owned by Bertelsmann, Canal Plus and the Kirch group and running up annual losses of at least DM40m. Mr Dornemann would like Mr Murdoch to hold a stake in Premiere, but for the moment any change in the shareholding structure is not feasible. It requires consent from Kirch, and that is not yet forthcoming.

"We can live with the status quo," said Mr Dornemann. He said the alliance in any case would be able to use Premiere, through which it would sell its thematic channels. And he was just as confident that even if Kirch launches its own competing decoding box system later this year, the product sold by the Canal Plus/Bertelsmann/Murdoch alliance would be superior.

"We know that Bertelsmann is not strong on the programming side. We don't have the vast library that Kirch has. But Murdoch has the content and the experiences. He has future products. He is a package man," said Mr Dornemann. He believes it is brand new movies and pay-per-view sports which make up the added value. "Premiere has the pay-TV football rights. Murdoch has other sporting rights. He has huge pulling power to attract other companies and channels to come through our network."

In the end, Mr Dornemann believes it will be the combination of new films and sporting rights which will swing the German - and European - audiences to the alliance's digital television, giving it an edge on Kirch's empire. But in a note of caution characteristic of the Bertelsmann school, Mr Dornemann warned: "To underestimate Kirch would be a big mistake."

# Greece sets price for flotation of telecoms stake

By Kerin Hope in Athens

Greece yesterday set a price of Dr4,000 a share for the privatisation of 6 per cent of OTE, the state telecoms monopoly, through a listing on the Athens stock exchange later this month. The price values the company at Dr1,687bn (\$6.96bn).

The announcement came as OTE officials launched a hastily prepared "roadshow" for institutions in Paris, Edinburgh, London and New York. After the failure of two previous attempts to place OTE shares with overseas investors, the government refused to set aside a formal international tranche this time, but has accepted an offer by HSBC, Salomon Brothers and BZW to sell 4.5m shares in Europe and the US.

Bankers involved in the offering said the share price was higher than expected but appeared to reflect strong domestic demand for the issue. A total of 20m of OTE's 422m shares are being offered for subscription, with another 4m being stripped out for sale on special terms to OTE employees and pensioners.

One Athens-based analyst said: "The government has pushed the share price to its upper limits, making it harder to sell overseas. But we expect the offer to be comfortably covered through the domestic market."

The price, which includes a

Dr125 dividend for 1995, was fixed by a special government committee. To encourage local investors, the finance ministry has said funds used to buy OTE shares will not be liable for tax.

The subscription period will run from March 26-29, with trading set to start on April 19. The government said that if the issue was oversubscribed, another 2 per cent of the company would be disposed of immediately.

The confirmation that extra equity would be available came as a relief to the international co-ordinators as National Bank of Greece, the state-owned bank acting as lead manager for the offering, is expected to give priority to domestic investors.

However, bankers yesterday voiced concern that the jittery mood on Wall Street could affect demand for OTE shares outside Greece.

Because the decision to offer shares to institutions abroad was taken at short notice, the company's prospectus is not yet available in English and OTE officials have been reluctant to give details of its business plan.

CS First Boston and Schroders, who acted as global co-ordinators for both OTE's failed offerings in 1993 and 1994, have pulled out of the flotation in a move that analysts said indicated doubts about prospects for the international offer.

# Hoechst joins trend with strong increase

By Wolfgang Münchow in Frankfurt

Hoechst yesterday reported a strong rise in profits and a higher dividend, following the trend set on Tuesday by BASF and Bayer, its two German chemical rivals.

The Frankfurt-based company announced that pre-tax profits had almost doubled from DM2.21bn in 1994 to DM4.09bn (\$2.76bn) last year, with sales up 5 per cent to DM52.2bn.

Net profits rose 65 per cent to DM2.25bn.

Like BASF and Bayer, Hoechst decided to raise the dividend, from DM10 a share to DM13.

Since some analysts had expected an even bigger rise, the market reacted cautiously to yesterday's announcement, with Hoechst shares closing at DM47, down DM7.

The strong performance of all three German chemical companies contrasts starkly with the economic gloom in most other sectors, which have been affected by the worsening

German economy, rising wage costs and strong D-Mark.

In contrast, Hoechst yesterday cited a "favourable economic climate" as the reason for its good results, which were partly attributable to its strong presence outside Germany.


Hoechst's figures come a day after both BASF and Bayer announced pre-tax profits at approximately the same rate. BASF's dividend is to go up from DM10 to DM14, whereas Bayer's rises from DM13 to DM15.

The Hoechst report was issued after a meeting of its supervisory board, which opted to publish the results in a so-called "ad-hoc disclosure", a requirement under German stock exchange rules.

The company will give further details of its results at its annual news conference, taking place today.

In an effort to increase its attractiveness to smaller investors, Hoechst said it planned to reduce the nominal value of shares from DM50 to DM5, a practice that several German companies are adopting.

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## INTERNATIONAL COMPANIES AND FINANCE

## SBC Warburg posts SFr829m for year

By Nicholas Denton in London and Hugh Carnegie in Stockholm

Swiss Bank Corporation said yesterday pre-tax profits for 1995 of SFr829m (\$891.2m) from investment banking showed it had overcome initial difficulties in integrating S. G. Warburg, the UK investment bank it acquired last year.

Mr Marcel Ospel, chief executive of SBC Warburg, the merged investment banking division, said the integration of S. G. Warburg's corporate finance department had been difficult and revenues "initially subdued."

But he said the equities and fixed-income businesses had made a "quantum jump" and the overall result corresponded to SBC's ambitious expectations for the merger.

SBC Warburg's pre-tax profits, which included nine months of contribution from the UK merchant bank, were a large improvement on the results for 1994, when the two institutions barely broke even.

A falling bond market and rising costs resulted in a \$16.9m (\$25.28m) loss for S. G. Warburg's investment banking business in the year to March 31 1995. SBC's investment banking division earned

pre-tax profit of SFr59m in 1994.

But SBC and Warburg together have not regained the levels of 1993, in which the UK investment banking business made £205m before tax and SBC's own division made a large, but undisclosed, profit.

The results put SBC Warburg in the top rank of European investment banks but substantially behind the largest US investment banks such as Goldman Sachs.

Mr Ospel said the integration of Warburg had been swifter than anticipated. It was substantially completed at the end of December and SBC Warburg

said it expected to gain US regulatory approval for the integration of Warburg's New York office within weeks.

The merger resulted in the loss of about 1,000 of the two units' combined staff of 11,000 through redundancies and defections, and cost savings which at SFr250m were, SBC said, "considerably beyond the original expectations".

Disruption in corporate finance resulted in the departure of several UK clients, including Halifax Building Society.

SBC Warburg also failed to play a role in the merger of

Sandoz and Ciba, the pharmaceutical companies based in SBC's home city of Basel.

But it was announced yesterday that SBC Warburg would advise on the disposal of businesses being spun off from the merged group.

It also emerged that SBC Warburg acted as advisers to Mr Gad Rausing and his family in their recent move to take full control of Tetra Laval, the privately-held Swedish processing and packaging group. In the deal, Mr Rausing and his three children bought out the half share in the group held by his brother Hans and Hans' family.



Marcel Ospel: overall result met ambitious expectations

## EUROPEAN NEWS DIGEST

## Grolsch predicts further advance

Grolsch, the Dutch brewer, predicted further profits gains in 1996, in spite of expectations that beer markets in north-western Europe will find it difficult to match the buoyant conditions created by the hot summers of 1994 and 1995. The forecast is based in part on the view that export volumes will continue to grow.

In 1995, Grolsch reported a 12.3 per cent increase in net profits to Fl 58.8m (\$36.47m), on sales up 13.8 per cent at Fl 630.6m. The company's domestic sales were in line with the marginal growth seen in the overall Dutch beer market, but export volume shot up sharply. Grolsch declined to give a figure for export growth, but said it was higher than the 10.3 per cent export increase achieved by the Dutch beer sector as a whole.

Nevertheless, the strong export rise had only limited influence on overall results because of an increase in marketing costs and unfavourable exchange rate movements caused by the guilder's strength. Operating profits rose from Fl 80.2m to Fl 88.2m, a gain of 10.2 per cent. Net profit growth outstripped this rise because Grolsch also benefited from a sharp increase in net interest income from Fl 0.6m in 1994 to Fl 3m in 1995, thanks partly to the conversion of part of a subordinated convertible loan into shares.

Ronald van de Krol, Amsterdam

## Wolters Kluwer rises 18%

Wolters Kluwer, the Dutch business, tax and legal publisher, posted an 18 per cent increase in 1995 net profits to Fl 452m (\$272m), matching the rate of growth reported in the first half of the year. Turnover rose 8 per cent to Fl 2.94bn but would have shown an 11 per cent increase if exchange rates had remained constant.

The company, which made a string of smaller acquisitions costing Fl 285m in 1995, completed the biggest purchase in its history when it bought and consolidated CCH Inc of the US, a tax and legal publisher, with effect from January 1 1996. The \$1.8bn acquisition will boost Wolters Kluwer's 1996 sales to around Fl 4.3bn, an increase of more than 40 per cent from last year. The seasonal pattern of CCH's business will mean that the Dutch group's second half will become more important in terms of earnings than the first half. The purchase will also shift the company's focus away from Europe.

Ronald van de Krol

## Jerónimo Martins ahead

Jerónimo Martins, Portugal's second largest distribution group, yesterday reported a 29.3 per cent increase in net consolidated profit to €58.7m (\$53.9m) in 1995 over €56.2bn in 1994. Growth was driven by 29.5 per cent increases in sales to €587.7m. Sales from the group's supermarket and hypermarket chains accounted for 46 per cent of total turnover. Cash-and-carry outlets contributed 21 per cent.

Mr Alexandre Soares dos Santos, chairman, said the group planned to establish Lillywhites, the UK sporting goods company that it bought last December for £28.5m (\$43.9m), as an "international flagship" with outlets in Europe, Asia, Latin America and Africa. Lillywhites, whose sales rose slightly to just under £20m in 1995, would increase its outlets in the UK from three to about 15 by 1999, he said.

Peter Wise, Lisbon

## Thyssen unit opens with loss

Thyssen unit Thyssen Telekom AG said it made a net loss of DM150.8m (\$101.9m) on consolidated sales of DM23.83m in the period between December 13 1994, when the company was founded, and September 30 1995, the end of its business year. Mr Hans-Peter Kohlhammer, deputy chairman, said: "It is too early to talk about earnings of a company which is only starting up." He also said the company was periodically reviewing its decision to lease lines from other providers rather than invest in its own fixed-network infrastructure.

"We are aware that our decision not to build up our own fixed-network infrastructure has brought a lot of criticism from investors," Mr Kohlhammer said. "That is why we periodically have to review it to see if it's still the right decision." He still believed the decision was correct. "Look at all the capacity that would be available once the 'big bang' [telecom deregulation] takes place in 1998," he said. "I am sure we will be able to lease lines at affordable rates." However, he said a change of view remained a possibility. "We have invested only DM1bn of the DM3bn-DM4bn we have been planning to invest before 2000," he said. "Maybe some of that will go towards infrastructure investment."

AFX News, Hannover

## Spin-off for Bremer Vulkan yards

The east German shipyarders of ailing shipbuilder Bremer Vulkan will be spun off in the next few days, Mr Bernd Selte, prime minister of Mecklenburg-Vorpommern, said yesterday. Mr Selte said he saw no possibility of maintaining the Bremer Vulkan group in its current form. He said the spin-offs did not mean co-operation between Vulkan's western and eastern yards would cease.

However, the premier of Lower Saxony, Mr Gerhard Schroeder, said the Vulkan group must stay as large as possible. "We must not allow valuable parts to be broken out of the group and leave the rest to fend for itself," he said. Vulkan filed for protection from creditors last month.

Reuter, Bremerhaven

## Olivetti to compete with Telecom Italia

By Andrew Hill in Milan

Olivetti, the Italian computer group, is to step up its challenge to the dominance of Telecom Italia, the state-controlled telecoms company, by launching a competing long-distance phone service in June.

The announcement is the latest in a series of initiatives aimed at broadening the basis of Olivetti's business away from the ailing personal computer operations.

The new service, called Sinfonia, is part of Infostrada, Olivetti's telecoms joint venture with Bell Atlantic of the US, which France Télécom also plans to join.

Olivetti said that Sinfonia would offer Italian businesses an alternative, cheaper means of calling between the main Italian cities, by using Infostrada's communications "nodes" across the country and lines leased from Telecom Italia.

Sinfonia is headed by Mr Arturo Artom, the young manager who last year successfully challenged Telecom Italia's attempts to prevent his company, Telsystem, from constructing a similar "virtual" telephone network to link the offices of corporate clients.

In spite of its victory in the courts, Telsystem was unable to overcome this initial handicap and was wound up two weeks ago. But Mr Artom said yesterday that its regulatory success would lay the ground-

work for Sinfonia to challenge Telecom Italia in the long-distance market in Italy.

Voice telephony using the public network is one of the only telecoms services still reserved for national monopolies, but Mr Artom will take advantage of EU regulations, now implemented in Italy, which he says permit competing services using privately owned communications nodes.

Olivetti is also the main shareholder in Omnitel Pronto Italia, the mobile phone operator, which is challenging the dominance of Telecom Italia Mobile, Telecom Italia's sister company. TTM confirmed yesterday that by this morning, Omnitel's 100,000 clients would be able to use its national network to cover gaps in Omnitel's coverage of the country.

The two companies have been fighting a fierce battle over whether Omnitel has the right to "roam" on the TTM network, under agreements signed last year by the two companies.

Despite recent broadly positive announcements by Olivetti - including, on Tuesday, the appointment as deputy chairman of Mr Giorgio Garuzzo, former chief operating officer of Fiat - Olivetti's share price has continued to suffer. It slipped again yesterday to a new low of L770.3, down L27, investors are still deeply concerned about the Italian group's exposure to the personal computer sector.

## SocGen slips a 'commendable' 1%

By Andrew Jack in Paris

Société Générale, the French banking group, yesterday announced net income for 1995 down 1 per cent at FF4.8bn (\$750m), while relaunching its attack on the state-backed rescue plan for its rival Crédit Lyonnais.

Mr Marc Viénot, chairman, called the FF4.8bn rescue package brokered last year by the French state with Crédit Lyonnais "scandalous", and stressed his determination to continue a legal action in the European court of justice to challenge it.

Separately, Crédit Lyonnais confirmed yesterday that it

had lodged a defensive action with the court in Luxembourg in response, which would give it full access to Société Générale's assets.

Mr Jean Peyreleuada, Crédit Lyonnais' chairman, expressed his frustration that his rival had launched the action without notifying him.

Société Générale failed to achieve any significant modifications to the rescue plan before its approval last year by the European Commission in Brussels, when it filed a formal complaint jointly with Banque Nationale de Paris. They argued that the cost of the rescue to the French taxpayer could exceed FF50bn, without any adequate counterparty

from Crédit Lyonnais.

Société Générale reported growth of 1.1 per cent in its banking income to FF4.8bn, while management and operating costs rose 3.8 per cent to FF2.2bn.

There was a reduction in provisions of 5.3 per cent to FF4.8bn, including FF1.9bn against property loans, bringing its rate of cover to 56 per cent. It said the fall in the French property market had cost it FF9bn since 1991.

Mr Viénot called the results "honourable and commendable" in view of the difficult environment facing the French banking sector, and given that there had been no sign from the government of any reforms

to remove the unfair competition it faced.

Life assurance premiums rose 12 per cent to FF16.2bn, and there was strong growth in remunerated deposits. American operations performed badly, with a decline in operating income of 56.4 per cent to FF566m, only partially offset by a 5.3 per cent rise in Europe to FF7749m, and a 61.1 per cent rise in Asia-Pacific to FF285m.

Mr Viénot defended his decision to sell the bank's stake in Navigation Mista, the company subject to takeover by Paribas, at FF800 a share, "without enthusiasm", saying it was better than holding an illiquid investment in a company in which it would have no say.

## GPA completes \$4.05bn bond sale

By John Murray Brown in Dublin

GPA, the Irish-based aircraft leasing company, yesterday completed the sale of \$4.05bn worth of bonds as part of an important securitisation refinancing, in what bankers described as the second-largest non-government US bond issue ever conducted.

The deal, which is fully underwritten by a syndicate led by Morgan Stanley, the US bank, will allow GPA to repay in cash \$2.9bn worth of bank and other secured debt, most of which matures in September 1997.

Morgan Stanley structured

the agreement and handled about 85 per cent of the total sale to 150 investors, 60 per cent in the US.

GPA said the success of the offer would "significantly enhance" its ability to repay the remaining \$1.5bn debt.

Of the outstanding debt, bankers said GPA paper was yesterday trading above par on the US market, fuelling speculation that the company might choose to buy some of the debt to retire it early.

The restructuring required the backing of more than 100 bank and other creditors. Since 1993 GPA has engaged in a long-term refinancing, which included settling a num-

ber of contingent liabilities, such as litigation with McDonnell Douglas, the US aircraft manufacturer.

The sale of the bonds, backed by the securitisation of approximately 229 aircraft and related leases, concludes a spectacular return to health by GPA, which came close to collapse in 1991 after a failed public offering.

The initial bond prospectus was issued on February 20. The company had originally envisaged that 50 per cent of the debt would be repaid in cash, the remainder through a complicated note offering. However, it confirmed last night that it had completed the

sale of \$4.05bn worth of pass through certificates, issued by its special purpose vehicle, Airplanes Group.

The bonds were issued in eight different tranche sizes, carrying different coupons, maturities and floating and fixed rates.

In February, the issue was briefly held up by a dispute with one of GPA's creditors, the Public School Employees Retirement System, Pennsylvania's main state pension fund. As part of a deal, PSERS agreed to sell its \$100m worth of second preference shares.

In turn, GPA paid a fee in relation to PSERS's \$41m holding of secured notes.

## Amer Group ends talks with investors

By Our Financial Staff

Amer Group, the Finland-based parent company of Wilson Sporting Goods of the US, said yesterday its K shareholders, who control 90 per cent of the votes, had ended talks aimed at selling their stakes.

"Amer Group's board of directors has been informed by the company's K shareholders that the negotiations that they have been conducting with third parties concerning the sale of their K shares have been discontinued," it said.

The group said its four biggest K shareholders, "will all continue to be major shareholders in Amer". These are The Engineering Society of Finland, The Association of Graduates of the Schools of Economics, The Student Union

of the Helsinki School of Economics and Business Administration, and the Land and Water Technology Foundation.

Amer last year suffered a 60 per cent slide in profits, to FM75m (\$16.32m) from FM220m, after its Wilson brand was hit by lower golf equipment sales and its Atomic skis met tough competition. At the time of the results, the K shareholders were in talks with anonymous bidders to sell the stock.

Mr Raimo Taivalkoski, chief executive, said yesterday the group would pursue plans to sell its loss-making MacGregor golf equipment unit.

He said Amer's strategy was unaffected by yesterday's news of the collapsed stake sale talks. "We think our present form is the one we are going to keep living with."

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January 1996

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The company has planned to fund internally the capital expenditure required to access the Venterdorp Contract Reef which lies below the elevation of the deepest operating level served by the existing shaft system. Appropriations for this purpose have been constrained by the level of operating profit earned over the past three years and indeed losses incurred in the last quarter, owing to operational difficulties faced on the mine and the prevailing gold price.

Assessment of technical planning alternatives for the project is close to finalisation and financial viability analyses are proceeding. In the event of a positive outcome, external funding will be required. Consideration is therefore being given to a rights offer to shareholders. In parallel, the possibility of some form of agreement, between the company and others with interests in the neighbourhood of the mine, is being pursued.

The objective would be to exploit any benefits achievable through joint action in turning to account areas which remain to be mined. Such areas include that beyond the southern boundary of the company's Mining Authorisation over which Gold Fields of South Africa Limited holds the mineral rights.

Pending a further announcement, caution should be exercised in any dealing in shares of the company.

Johannesburg 13 March 1996

## HYPO FOREIGN &amp; COLONIAL PORTFOLIOS FUND

Société d'Investissement à Capital Variable  
Registered Office: 47, Boulevard Royal,  
L-2449 Luxembourg

As the Extraordinary General Meeting of Shareholders held on 27th February, 1996 was not able to deliberate and vote on the items of the agenda as a result of the lack of quorum, Shareholders of Hypo Foreign & Colonial Portfolios Fund (the "Company") are hereby reconvened to an Extraordinary General Meeting of Shareholders to be held at the registered office of the Company in Luxembourg, at 47, Boulevard Royal, L-2449 Luxembourg on 28th March, 1996 at 3.00 p.m. to deliberate and vote on the following agenda:

- To change the name of the Company to "Foreign & Colonial Portfolios Fund" and to amend Article 1 of the Articles of Incorporation accordingly.
  - To amend Articles 5, 16, 21, 22, 23, 24, 27 and 30 of the Articles of Incorporation.
  - Shareholders are informed that the full text of the proposed amendments to the Articles is available at the registered office of the Company in Luxembourg. Any decision at the Shareholders Meeting on the aforesaid items of the agenda must be approved by Shareholders holding a majority of 2/3 of the Shares represented at the Meeting.
  - Shareholders of Hypo Foreign & Colonial Portfolios Fund - Nordic Equity Portfolio and Hypo Foreign & Colonial Portfolios Fund - Mediterranean Equity Portfolio are further requested to resolve on a proposal for such class to be merged with effect from 1st April, 1996 into Hypo Foreign & Colonial Portfolios Fund - European Equity Portfolio (the latter to be renamed as Foreign & Colonial Portfolios Fund - European Smaller Companies Portfolio).
  - Shareholders of Hypo Foreign & Colonial Portfolios Fund - American Equity Portfolio are further requested to resolve on a proposal for such class to be merged with effect from 1st April, 1996 into Hypo Foreign & Colonial Portfolios Fund - American Smaller Companies Portfolio (to be renamed as Foreign & Colonial Portfolios Fund - American Smaller Companies Portfolio).
- The vote on such item will be made at separate class meetings for which no quorum is required and a decision in favour of merger has to be approved by Shareholders holding 50% of the Shares represented at the meeting (provided the changes to the Articles under 1) above have been previously approved by the full Shareholders Meeting). The text of the Investment policy of the (renamed) Foreign & Colonial Portfolios Fund - European Smaller Companies Portfolio and Foreign & Colonial Portfolios Fund - American Smaller Companies Portfolio are available at the registered office of the Company together with a description of the differences between the classes to be merged and the new classes. Shareholders in the Portfolios to be merged are reminded that they may redeem their Shares at any time free of charge.
- In order to be able to participate at the Shareholders Meeting, holders of Bearer Shares have to deposit their Shares at least 3 clear days before the date of the Meeting at State Street Bank (Luxembourg) S.A., 47, Boulevard Royal, L-2449 Luxembourg. Proxy forms may be obtained at the same address.
- By order of the Board

To the Holders of  
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Backed by  
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Pursuant to the indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period March 11, 1996 through June 9, 1996, the rates applicable to the Secured Senior and Secured Senior Subordinated Floating Rate Notes are 5.600778% and 6.050778% respectively.

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## INTERNATIONAL COMPANIES AND FINANCE

## AMERICAS NEWS DIGEST

## Write-down pushes Bombardier into red

Bombardier, the Canadian transport equipment maker, wiped out its fourth-quarter earnings with a C\$231.4m (US\$169m) pre-tax write-down of its stake in Eurotunnel, operator of the Channel tunnel. Bombardier is among Eurotunnel's biggest single shareholders, with a stake of about 3 per cent. It acquired most of the shares to settle a dispute over changes in the design of Eurotunnel shuttles cars built by one of its European subsidiaries.

The write-down pushed Bombardier into a fourth-quarter loss of C\$50.2m, or 15 cents a share, in the three months to January 31, from a profit of C\$77.1m, or 21 cents, a year earlier. Earnings before the write-down, which amounted to C\$165m after tax, were C\$104.8m, or 29 cents. Revenues climbed from C\$2.3bn to C\$2.7bn. Earnings for the fiscal year, excluding the write-down, rose 28 per cent to C\$305.8m, or 89 cents. Revenues were up 20 per cent to C\$1.1bn. Bombardier said all its divisions, which include aerospace, rail equipment and motorised snow and water vehicles, contributed to the earnings improvement.

Bombardier now values its Eurotunnel shares at C\$50m, or the prevailing market value of FF6.2 each on January 31. Mr Laurent Beaudoin, chief executive, said the balance sheet remained "very strong" and that profits were likely to increase this year.

Bernard Simon, Toronto

## Toys R Us suffers setback

Fourth-quarter and annual earnings fell at Toys R Us, even before a \$389m restructuring charge, as the international toy retailer encountered difficult trading conditions in most of its markets. In the final quarter, including the Christmas period, net earnings fell 11 per cent to \$382m, before the one-time charge, and earnings per share dropped from \$1.46 to \$1.32, or 34 cents after the restructuring costs.

In spite of an extra week's trading in the 1995 fiscal year ending February 3, net earnings fell 22 per cent from \$532m to \$417m, even before the charge. Earnings per share for the year were down from \$1.55 to \$1.51 before the charge, and to 53 cents afterwards. Sales rose 8 per cent to \$9.43bn, largely because of new store openings.

Maggie Urry, New York

## CANTV stages turnaround

CANTV, the Venezuelan telephone company, yesterday announced a net profit of 14.1bn bolivars (\$3.8m) for 1995, compared with a loss of 7.5bn bolivars for 1994. The results were adjusted for inflation. CANTV was partially privatised in 1991 when a consortium led by GTE, the US local phone group, bought a 40 per cent stake in the company. It gave no explanation for the turnaround in results.

Sales rose from 182.4bn bolivars to 348.4bn bolivars in 1995. The Venezuelan government has said it plans to sell off its remaining 49 per cent stake in CANTV before the end of the year. CANTV employees hold 11 per cent of the company's stock.

Reuter, Caracas

## Travelers details listing plan

Travelers, the US financial services group, unveiled plans for a separate stock market listing for its property/casualty insurance businesses in a public offering that could raise almost \$1bn. The plan, first disclosed last year, is part of the financing for Travelers' \$4bn acquisition of Aetna's property/casualty business. In a filing with the Securities and Exchange Commission, Travelers said it expected to sell about 10 per cent of the company, known as Travelers/Aetna Property Casualty Group, leaving it with 82 per cent. The public sale will have a maximum indicated offering price of \$25 a share.

Richard Waters, New York

## Thomson climbs 9.8% but warns on UK travel side

By Bernard Simon in Toronto

Thomson Corporation, the Toronto-based publishing and travel group, coupled a 9.8 per cent advance in 1995 earnings with a warning that the UK packaged tour industry urgently needs to cut capacity if margins are to be maintained.

The improved earnings came entirely from Thomson's extensive specialist publishing and newspaper interests.

Operating profit at the UK travel operations dipped 27 per cent, despite a 7 per cent rise in sales and significant expansion in the UK holiday cottage market.

"1996 could mark a watershed for the air-inclusive tour market," Thomson said.

"The industry can either offer fewer holidays at realistic margins or, as in 1995, continue with increasing discounts on late sales, which give customers little reason to book early."

Tour bookings for summer

1996 are currently running below last year. Most operators have reduced capacity by at least 10 per cent, and brochure prices have risen by a similar amount.

However, Thomson cautioned that further capacity cuts may be needed to avert a wave of last-minute discounting.

Overall earnings, excluding gains from the sale of UK regional newspapers, climbed to US\$465m, or 80 cents a share, last year, from \$427m, or 74 cents, in 1994.

One-time gains from the UK disposals pushed net earnings to \$789m, or \$1.94 a share, in 1995. Revenues rose 12 per cent to \$7.23bn.

Fourth-quarter earnings, excluding the one-time gains, advanced to \$177m, or 30 cents, from \$123m, or 21 cents.

Annual operating profits from the North American-based information and publishing division jumped 80 per cent to \$633m, partly helped by several sizeable acquisitions.

Thomson said International

expansion would play "a major part" in future growth.

The company spent \$97m on 60 acquisitions last year, mainly in specialised publishing. It recently agreed to buy West Publishing, a large Minnesota-based legal research and information group, for \$3.4bn cash.

The newspaper division, consisting mainly of small North American papers, is emerging from a restructuring which has shifted its focus to specific regional markets. Operating earnings grew 11 per cent to \$216m.

A jump in newsprint costs was mostly offset by a higher contribution from Thomson's 50 per cent stake in a large Georgia newspaper mill.

Thomson said that the newspaper division's highest priority was to lift circulation, taking advantage of the newly-created regional marketing groups.

Thomson shares were little changed in early trading on the Toronto stock exchange, slipping 12 cents to C\$19.75.

## DFR vetoes Inco move for bigger Voisey's Bay stake

By Kenneth Gooding, Mining Correspondent

A proposed C\$1.3bn (US\$951.7m) deal for Inco of Canada, the world's biggest nickel marketing group, to double its 25 per cent stake in the Voisey's Bay deposit, which is likely to be developed into the world's largest and lowest-cost nickel mine, has been vetoed by Diamond Fields Resources, the company that discovered Voisey's.

Mr Robert Friedland, co-chairman of DFR, said yesterday that the proposed arrangement would not have taken into account the future potential of Voisey's, in Labrador, where he was convinced further substantial discoveries would be made.

DFR is planning to merge with Falconbridge, Canada's second-largest nickel producer. Mr Friedland, in London for presentations to investors,

suggested that the "new" Falconbridge's share price would jump more sharply when discoveries were made at Voisey's if it retained 75 per cent of the venture.

He suggested that Inco had only to April 11, when the merger would be completed, to decide whether it should intervene with a bid for his company. It was unlikely that Noranda, Canada's biggest natural resources group that would have 29 per cent of the new Falconbridge, would want to sell to Inco. It was even less likely that North American antitrust authorities would permit a merger of Inco and the new Falconbridge, said Mr Friedland.

Mr Frank Pickard, Falconbridge chairman, said his board felt obliged to consider the Inco proposals, which would also have given his company the right to market 50 per cent of Voisey's output

whereas at present Inco has exclusive rights for the first five years. The deal would also have given Falconbridge the right to provide the chairman, with a casting vote, on the Voisey's operating board. But Inco's proposals had never gone to his board for approval.

He said Noranda, which at present owns 50 per cent of Falconbridge, intended to build its shareholding in the merged company to a level "near" 40 per cent, "where results could be consolidated. Noranda had five years to achieve this.

Mr Pickard said if the merger went ahead, Voisey's would be put on the "fast track" so that first production would be in mid-1997. The smelter and refinery might not be ready when mining started but Falconbridge had spare capacity at Sudbury, Ontario, and "companies are lining up to take the concentrate".

## US chip makers seek to dispel the gloom

Excess production capacity has sparked fears of an industry downturn, says Louise Kehoe

US semiconductor orders fell in February for the second consecutive month, raising concerns that after several years of unprecedented growth, the chip industry may be heading for a slump. The figures, released this week by the US Semiconductor Industry Association, follow bearish projections and disappointing results from some US chip makers.

Texas Instruments, one of the largest US semiconductor manufacturers, said last week it had lowered its estimate for 1996 industry sales growth to about 20 per cent, from 40 per cent growth last year.

National Semiconductor reported a 60 per cent drop in net income for the fiscal third quarter ended February 23, blaming slowing sales to the personal computer and mobile phone industries.

Moreover, the industry's closely-watched book-to-bill ratio - a measure of new orders versus shipments - fell to 0.90 for February, the lowest since the current method of measurement was adopted in 1987. This follows a sharp drop from 1.12 in December to a revised 0.92 in January.

So is the \$100bn world chip industry about to repeat the boom and bust cycles of the 1970s and 1980s, when periods of rapid growth and chip shortages were followed by pro-

longed downturns with an excess of production capacity?

With more than 100 new chip plants scheduled to begin production in 1997-98, the potential for excess is a concern. "I have been worried that in 1997 when these plants turn on, we could have an enormous glut and be thrown into a price war," said Mr Dan Hutcheson, president of VLSI Research, a market research group.

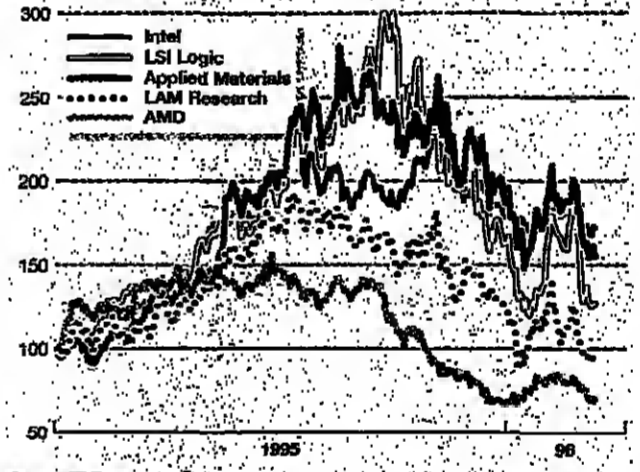
Yet most US semiconductor industry executives and many analysts believe that the current decline is not a classic turn in the market. They expect growth to resume quickly - perhaps as soon as the second half of this year.

The broad figures mask specific problems in certain segments of the chip market, analysts say. Memory chips, which account for more than a third of industry revenues, have seen a sharp drop in prices: four megabit dynamic random access memory (D-Ram) chips that sold for \$14 in November are now going for about \$7. According to analysts, such a fall explains the drop in the book-to-bill ratio.

The price cuts reflect the end of a two-year shortage of D-Rams that has kept prices high. Production has increased because several large manufacturers have recently adopted new technology to shrink D-Ram chips, which means

## How they compare

Share prices (adjusted)



Source: FT Data

that more chips can be produced from each wafer of silicon.

At the same time, demand from the personal computer industry, the biggest consumer of memory chips, has fallen off - largely due to lower than expected retail sales of PCs over Christmas. The PC companies, left with excess stocks of unused chips, are delaying purchases and in some cases selling off surplus components, adding to the glut.

To veteran industry watchers, this looks like a scenario

for a semiconductor industry downturn. However, the scale of the current glut is much smaller than in 1984-85, when the US semiconductor industry last nosedived.

"In 1984 computer makers had six months worth of (chip) inventory in hand. Today, there is about three weeks of excess," said Mr Hutcheson.

"This industry is not in the tank," said Mr Art Zafropoulos, chairman and chief executive of Ultratech Stepper, the leading supplier of photolithography equipment to the semicon-

ductor industry. "We may see one or two quarters of fluctuation, but the size of this industry is going to more than double over the next five years. We are at the beginning of a dynamic and powerful technology cycle."

Growth will be driven by new applications such as voice recognition as well as rapid growth in demand for electronics products in developing markets such as China and India, industry analysts predict.

Moreover, the drop in memory chip prices is expected to filter through to PC prices, which could quickly boost home computer sales and thus demand for a wide variety of semiconductor products.

"It is a different business than it was a decade ago. Semiconductors are so pervasive now - they are in everything. You are not going to see the huge swings of the past," said Mr Tom Reed, senior vice-president of the SEMI trade group, which represents production equipment manufacturers.

● Taiwan Semiconductor Manufacturing (TSMC), Taiwan's leading computer chip maker, plans to set up a US\$1.2bn plant in Washington state to produce semiconductors, writes Laura Tyson in Taipei. The joint venture with Altera Corp, a US computer company, and other TSMC customers, will begin production in 1998.

## The Survey on Slovenia

which was scheduled for publication in today's Financial Times will now be published on Tuesday, March 26.

## BAYER AKTIENGESELLSCHAFT

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 25th April, 1996 in Cologne. Payment of a Dividend of 30% for the year 1995 will be proposed.

Copies of the Company's Annual Report for 1995 in English will be available from S.G. Warburg & Co. Ltd.

United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 17th April 1996, inform S.G. Warburg & Co. Ltd., Paying Agency, 7, Finsbury Avenue, London EC2M 2PP who will make the necessary arrangements on their behalf.

Under Section 126 of the German Companies Act, the Board of Management is only obliged to provide information on proposals and nominations that may be made by shareholders if the parties concerned prove their standing as shareholders in good time.

BAYER AKTIENGESELLSCHAFT  
March, 1996

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INTERNATIONAL COMPANIES AND FINANCE

TVE rejects HK\$1.15bn SCMP bid

By John Ridding in Hong Kong

TVE, the Hong Kong media and property group, yesterday rejected a HK\$1.15bn (US\$149m) bid from South China Morning Post Holdings, dismissing the logic and price of the offer.

SCMP, which publishes Hong Kong's leading English-language daily newspaper, said it had no immediate plans to raise the price of the offer and was awaiting a shareholders' meeting, scheduled for tomorrow, before taking further action.

Mr Robert Kuok, chairman of SCMP, already controls 34.9 per cent of TVE, largely through his Kerry Media group. Bot Shaw Brothers,

which holds 30.3 per cent of TVE, said yesterday it did not intend to accept the offer. According to TVE, investors representing 39.5 per cent of its shares are opposed to the bid.

TVE said yesterday that SCMP's offer, which was launched last month and comprises a two-for-one share swap, was "not fair and reasonable". The company, which publishes mainly Chinese-language books and magazines, operates a mini-store chain and manages recreational clubs, said the value of the bid represented a 20 per cent discount to its pro-forma net asset value based on Monday's closing price.

TVE also expressed concern that SCMP's share price, which

climbed to a high of HK\$5.55 on February 9, the last full trading day before the offer was launched, would not be sustainable.

SCMP is seeking to extend its interests into Chinese-language publications. TVE holds titles ranging from TV Week, a listings guide, to Amoeba, a youth magazine. Mr Kuok is also thought to have been drawn by TVE's property assets. According to TVE, these assets have been independently valued at HK\$76.5m.

TVE rejected the logic of the bid. "The directors consider that there are few real synergies between these businesses," it said. It claimed that SCMP's only substantial expe-

rience with Chinese-language publishing was with the Wah Kin Yat Po newspaper, in which it sold a majority interest in 1994 following losses.

TVE added that the offer could jeopardise its business links with Television Broadcasts, the Hong Kong TV group.

Industry analysts in Hong Kong said it was still possible SCMP's bid would succeed, despite the rejection by Shaw Brothers. "They already have about 35 per cent locked up with Mr Kuok, so it is conceivable that they could get control," said one media analyst at a local securities company. However, he said it was more likely that SCMP would have to raise its offer.

Thai 'bat' finds way in the market

The country's third biggest bank has in-built advantages despite its bureaucratic profile, report Ted Bardacke and Peter Montagnon

Sometimes, says Mr Sirin Nimanaheminda, president of Thailand's Krung Thai Bank, "I feel like a bat. I can fly, but I look like a rat."

The imagery is vivid indeed, and it is Mr Sirin's way of explaining Krung Thai's peculiar position. Thailand's third largest bank, it is 60 per cent owned by the state, giving it an ugly bureaucratic tradition which is a disadvantage in a sector that is deregulating fast. Yet it recently announced a 25 per cent net increase in net profits to Bt10.2bn (\$404.3m) for 1995, a faster rate of growth than leading private competitors such as Bangkok Bank and Thai Farmers Bank, proving that this rat can indeed keep up with the birds.

This unusual position puts Krung Thai at the cutting edge in developing a strategic response to the changes facing Thailand's banking industry. With new licences being issued to both domestic and foreign banks, the rapid growth of finance companies and a trend towards securitisation, the banking market is becoming crowded and competitive.

At the same time, many analysts say, Krung Thai faces a gradual erosion of its privileges as banker to the government as Thailand's market is deregulated. Government deposits account for more than half of the bank's total Bt500bn in deposits, and Mr Sirin acknowledges that the bank is not ready for the interest margin squeeze that would result from a wholesale loss of its exclusive right to government deposits.

Open competition for government deposits between Krung Thai and other commercial banks "would be pure disaster," Mr Sirin says. "It will have to be very gradual. Otherwise I'm going to put the entire bank on the chairman's lap and say 'bye-bye. Who is going to raise this Bt200bn for you?'"

But while he is around, Mr Sirin's job is to confound the sceptics. One of the unanswered questions about Krung Thai, says Mr Scott Christensen, an analyst with Jardine Fleming Thanakom Securities, is the

degree to which its high interest margins and profit growth simply reflect the recovery of previously unpaid interest brought about by Mr Sirin, a former executive with Thailand's state-owned Petroleum Authority, as he set about cleaning up the bank's loan book over the past five years.

Mr Sirin says there are more benefits of recovery to come than many in the market think. There remains about Bt2.2bn in income that has not been accrued from bad debts, he says. Moreover the bank's large hidden reserves - its investments are carried in the books at Bt4.3bn while their market value is Bt28.3bn - create an opportunity for smoothing profits and raising working capital even if interest income slows.

A large part of his strategy since taking over responsibility for the bank has been to improve the quality of its loan portfolio, he says. Thanks in part to an active programme of lending to top-rated family businesses in the Thai provinces, it is less exposed to Bangkok property than other banks. The share of sub-standard loans in its Bt10bn loan portfolio has fallen to only 3 per cent from 9 per cent when he took over.

This year Krung Thai's priority will continue to be recovery. Branch managers have been told that in their personal performance assessments a 40 per cent weighting will be given to bad debt recoveries, twice as much as to their success in extending new loans or generating new deposits.

Part of the reason is cyclical, Mr Sirin says. He believes that Thailand has not yet found the right way to an economic soft landing with a manageable inflation rate and balance of payments deficit. It is, therefore, becoming harder to find sound new lending opportunities.

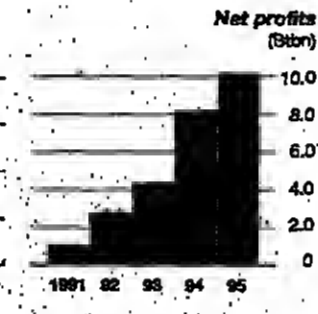
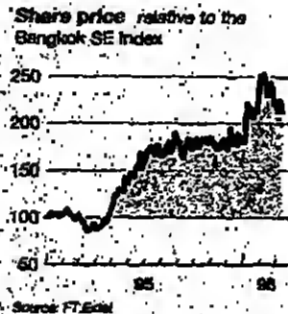
But assuming his managers are successful in recovering bad debts profits growth should remain strong. If restraint in lending means the quality of its loan portfolio improves as well, investors

COMPANY PROFILE Krung Thai Bank



Sirin Nimanaheminda, president

Market capitalisation	\$6.47bn
Main listing	Bangkok
Historic P/E	19.32
Gross yield	2.56%
Earnings per share	Bt5.84
Current share price	Bt110.0



might conclude that Krung Thai stands ready to outperform. But if Mr Sirin's cure will work for a while yet, he is less sanguine about the longer term strategic issue.

Many of Krung Thai's competitors are putting their faith in fee income to carry them through. But Krung Thai's fee income is low - partly because it must waive some fees for government employees - and it did not even apply for a debt underwriting licence, placing it at a disadvantage in the future, says Baring Securities.

Mr Sirin says he will leave the investment banking up to Krung Thai Thanakit, a finance company 92 per cent owned by the bank and which is heavily involved in the securities market. Instead, the bank will focus on quality. "We will have to be really top class in training our people, and top class in information technology. That will be the battleground," he says.

Ironically, Krung Thai's government connections might even help, he argues. Privileged access to government deposits will not disappear overnight and in the meantime he is looking to design computer software systems that in effect lock government agencies in with Krung Thai's network. Krung Thai's role in processing government paychecks and social security payments gives it information about the retail banking market and

credit ratings of individuals that other retail banks and consumer credit organisations, like Citibank and GE Capital, do not enjoy. "These are things that I don't want to let loose," he says.

Admittedly, it is not all one way. The large government stake makes raising extra capital difficult. Based on present forecasts, Krung Thai should manage to keep above international capital requirements until 1998, though this will entail restraining dividend growth to make for more retained profits, Mr Sirin says.

Also, with majority government ownership Krung Thai cannot easily buy another bank. Otherwise, admits Mr Sirin, that would be a natural response to the onset of competition. With its 485 branches, determination to cut costs and investment of about Bt1.3bn annually in information technology, there could be enormous efficiency gains from an acquisition.

Still, Mr Sirin believes the bank's government connections, rather than any far-sighted commercial strategy, may just give it an edge in the looming battle. Sceptics will jump on this long-term question mark and note that bats, with which he compares himself, are blind. On the other hand they have other ways of homing in on their goal.

Coles Myer posts sharp fall

By Nikki Tait in Sydney

Shares in Coles Myer, Australia's largest retailer, slid yesterday after the group announced sharply reduced interim profits of A\$194.6m (US\$150m) after tax for the six months to January 28. A year ago, Coles made A\$272.9m.

Even before interest and tax, profits slumped 21.3 per cent to A\$389.4m, although sales revenues overall rose 8.5 per cent to A\$9.44bn. Earnings per share fell 19.2 per cent to 17.2 cents, but the interim dividend was held at 12 cents a share.

The result surprised analysts who, although expecting a profit fall, had forecast upwards of A\$200m after tax. There was immediate talk of full-year estimates being down-

graded, and the shares closed 10 cents lower at A\$4.28.

Mr Peter Bartels, chief executive, blamed the poor results on a downturn in the apparel market, coupled with "lacklustre" Christmas trading for general merchandise. He also said asset sales had reduced the pre-interest earnings figure by around A\$52m.

The most encouraging performances were in the supermarkets and liquor divisions, which account for about half of Coles' sales. The supermarkets unit pushed up pre-interest earnings by 16.7 per cent to A\$128.7m, while sales rose 11.1 per cent on a comparable store basis. Liquorland saw sales increase by a fifth and pre-interest profits rise from A\$13.2m to A\$15.3m.

Elsewhere, results were generally lower. The Kmart general merchandise chain saw earnings slump from A\$93.2m to A\$50.6m before interest charges.

Mr Bartels admitted that the group might consider exiting from the World 4 Kids business, where last-year's interim loss of A\$14.7m widened to A\$20.1m. The unit was launched to compete with Toys R Us, the US-based retailer.

He said sales since the end of the half-year had been strong, and that the group had added market share. There was, he said, "a sound base for improved profitability over the next 12 months". But he also warned that Coles would not recover the first-half downturn in the current six months.

Management shake-up at Ansett

By Nikki Tait

A big management shake-up is to be implemented at Ansett Airlines, the Australian carrier which is owned jointly by Mr Rupert Murdoch's News Corporation and TNT, the transportation group.

Mr Graeme McMahon, the chief executive, who is in his mid-60s, is to retire, while Mr Ron Entsch, general operations manager, and Mr Gary Smith, general commercial manager, are also departing.

Mr Ken Cowley, who heads News' operations in Australia, said he would remain executive chairman, overseeing "strategic development of the airline". The new chief operating officer is Mr Hugh Thorburn, who has been involved in the setting up of Ansett's international operations in the past couple of years. Mr Rick Ellis will become general manager of sales and marketing. Another eight senior appointments were also announced.

The timing of the changes is surprising. Ansett has produced very weak financial results recently, and its ownership structure is also in question. TNT is seeking to sell its half-share to Air New Zealand, and the matter is before the Commerce Commission in Wellington, the country's competition watchdog. If Air New Zealand is successful, it would also probably seek some say in Ansett's management.

Telstra ahead 16% to A\$1.2bn

By Nikki Tait

Telstra, Australia's large government-owned telecommunications group which the new federal coalition government has promised to partly-privatise, yesterday announced an after-tax profit of A\$1.2bn (US\$930m) for the half-year to December.

The figure compares with A\$1.03bn a year ago, a rise of 16.9 per cent. However, a 1994-95 total was reduced by a A\$220m abnormal charge. Operating profits before abnormal items rose more modestly, from

A\$1.75bn to A\$1.85bn. Telstra said that total revenues were up 9 per cent, at A\$7.64bn, with the telecoms side growing slightly faster, at 9.7 per cent. Expansion of the mobile market accounted for more than half the total revenue increase.

The sales figure also benefited from higher local call revenues and increased use of the Telstra network by other carriers, which pushed up interconnect revenues. But STD call revenues fell as prices came down and international revenues were also lower.

Meanwhile, expenses (before

abnormals) grew slightly faster, up 10 per cent overall to A\$5.78bn. Telstra blamed various factors, including higher depreciation charges and rising labour costs.

Mr Frank Blount, chief executive, said the group still had "a considerable task ahead to improve profitability measures in line with the most efficient telecommunications companies in the world".

The new government has pledged to sell off a third of Telstra to stock market investors during the current three-year parliamentary term.

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COMPANY NEWS: UK

# Reed Elsevier has \$5bn for acquisitions

By Raymond Snoddy

Reed Elsevier, the Anglo-Dutch publishing and information group, said yesterday it was keeping a close eye on a "wish list" of possible acquisition targets and that it had about \$5bn available this year to spend on the right opportunity.

The likely target areas are US professional and business-to-business publishing operations. Last year the group was absorbing the £1.1bn purchase in December 1994 of the Lexis-Nexis database and spent only \$4m on acquisitions.

Mr Ian Irvine, co-chairman of Reed Elsevier with Mr Herman Bruggink, said the company would stick to its policy of assembling dominant market positions in the higher-value-added scientific, professional and business information markets and reducing exposure to consumer markets.

of Congressional Information Service and Butterworths US, the legal publisher, into Lexis-Nexis, the business increased operating profit by almost 50 per cent on sales up 10 per cent.

"Reed Elsevier has become almost boring, reliable in turning out profits and beating forecasts by a small margin," Mr Neil Blackley, media analyst at stockbroker Goldman Sachs, said yesterday. Pre-tax profits for the current year could touch \$800m, he said.

Earnings per share rose 21 per cent to 51.7p for Reed International shareholders and 11 per cent to Dfl 1.00 for Elsevier shareholders. Full year dividends were up 14 per cent to 24.5p for Reed and 8 per cent to Dfl 0.59 for Elsevier. The differences are largely accounted for by the stronger Dutch guildler.

One thing that did not go according to plan was the proposed sale of Reed Consumer Books. The division was withdrawn from sale earlier this year when no bidder came forward with a price acceptable to the company. The group now plans to strengthen the management of Reed Books and to try to increase profits and sell the company in the next couple of years.

## Setback in second half after buoyant first six months

# Destocking hits English China Clays

By Motoko Fitch

English China Clays, the minerals and chemicals group, has joined the growing list of companies hit by destocking in the second half, when it reported pre-tax profits up 2.3 per cent to \$95.1m (\$145.5m).

The group, which raised its interim dividend for the first time since 1992 after enjoying a buoyant first half, also increased the final dividend to 11.2p (10.9p), making a total for the year of 16.7p (16.25p).

Operating profits in the group's continuing operations rose 18 per cent to £100.7m. This excluded sharply decreased profits from ECC Construction, the group's house building business, from which it is withdrawing.

Sales fell 15 per cent to \$285.9m (£1.04bn), largely reflecting the lack of contributions from the group's construction materials division, demerged as Camas in 1994, and reduced revenues from ECC Construction.

Mr Dennis Rediker, announcing his first results as chief executive, said once the construction business was closed, the company would be in shape to move forward. "I think we are focused on speciality chemicals and minerals, so I do not foresee any more major disposals," said Mr Rediker.



Dennis Rediker: "We are focused on chemicals and minerals, so I do not foresee any big disposals."

ECCI Europe, the group's speciality mineral pigments business, was hit by destocking in the second half. A 6 per cent rise in first-half volumes was offset by an equivalent decline in the second half.

Similarly, ECCI Ampac, the group's operations in the Americas and the Pacific, suffered from second-half customer destocking. Operating profits rose 5.2 per cent to \$55m (\$34.8m) - compared with 33 per cent rise in the first half.

Profits in the division were also restrained by a \$5.2m exceptional charge for redundancies and rationalisation. Operating profits in the speciality chemicals division rose from \$13.7m to \$16.3m, although the 1994 results included a \$7.0m exceptional charge. The 12 per cent sales increase to \$70.4m was almost entirely attributable to the 1994 year-end acquisition of EZE Products, a US-based chemicals business.

## Heywood Williams rises despite pressure on margins

By David Blackwell

Profits from disposals helped Heywood Williams Group, which manufactures aluminium, glass and plastic products for the construction and automotive industries, to report an annual 17 per cent pre-tax increase on record sales.

Pre-tax profits for 1995 rose from \$33.1m to \$39.7m (\$38m) on sales of \$562.5m (\$516.6m). But margins came under pressure from raw material price rises, cutting operating profits, before exceptional items, from \$33.1m to \$28.6m.

Mr Michael Broadhead, managing director, said he was "reasonably satisfied" with the results. He expected an improved performance this year, with the group's main market of manufactured housing in the US poised to enjoy further growth.

The group makes more than half its sales in

the US, mainly in manufactured housing and recreational vehicles. US operating profits fell from \$21.1m to \$17.6m after both aluminium and resin prices rose by about 50 per cent in the first half. Aluminium is used for window frames and resin for pipe extrusions.

UK operating profits fell from \$9.7m to \$2.2m. A good performance from the automotive windscreen business was offset by the continuing weak home improvement market. Success, the independent UK wholesaler of motor accessories and car care products acquired last September, performed in line with expectations.

Continental European operating profits improved from \$2.3m to \$2.8m. The French subsidiaries moved back into the black, but Mr Broadhead said he was concerned by the market in Germany, where the building industry appeared to be in decline.

## Schroders initiates review of efficiency

By Nicholas Denton

Schroders announced a business efficiency review yesterday, after its annual results revealed flat profits and a sharp escalation in the costs of computers and staff.

The UK investment bank said it would limit the increase in its staff numbers to about 200 this year, compared with 400 added in 1995 in ongoing businesses.

Consolidated, which Schroders did not name, will examine the bank's information technology spending, which rose more rapidly last year than in the industry as a whole.

Schroders, is seeking to head off the costs which undermined SG Warburg's independence and forced it to seek a buyer in Swiss Bank Corporation last year.

While pre-tax profits for 1995 were slightly up at £197m, (\$301.41) expenses rose 45 per cent to \$603.5m. The cost-income ratio of 78 per cent, up from 68 per cent, was undeniably high, Schroders executives conceded.

"Perhaps we have not devoted as much attention to costs as we might have," said Mr Wim Bischoff, chairman.

Staff costs rose, with the expansion of the European equities business and investment management in east Asia. The bank also experienced the impact of the first full year of ownership of Schroders Wertheim, the US subsidiary.

Although the effect was small, Schroders said it was paying a larger amount of deferred bonuses to retain its top 30 people in a competitive City jobs market.

At the same time, the closure of much of the fixed-income business in New York and the equities trading operation in Tokyo resulted in redundancy payments.

But the main additional cost appears to have been on systems for back office operation and the processing of transactions by Schroders Investment Management.

## LEX COMMENT

# Schroders

Schroders

Schroders is launching its efficiency review not a moment too soon. Costs shot up 21 per cent last year. Given that operating income grew only 14 per cent, it is hardly surprising profits were flat. There would, indeed, have been a decline in profits but for the release of bad debt provisions made in previous years. Moreover, profitability is out as great as the reported 25 per cent return on equity suggests.

Once the highly profitable fund management business is stripped out, returns in the investment banking division are only 14 per cent. That is still above its cost of capital, but not by much.

If all this sounds a touch like Warburg before spiralling costs forced it into SBC's arms, at least Schroders is aware of the dangers. The market for investment bankers is so competitive that it cannot avoid upward drift in staff costs. Equally, its move into UK equities looks necessary to protect its domestic corporate finance business. But the expansion looks fairly controlled.

Provided Schroders' efficiency review slows down the cost explosion, profits should now pick up. The surest prospects are in investment management where, because of lags, last year's impressive 28 per cent growth in funds has yet to feed through fully in the form of higher fees.

Given that the Schroder family shows no inclination to sell its controlling stake in the company, bid speculation has evaporated and the shares no longer look expensive. Still, anybody thinking of investing should pick the much cheaper non-voting shares, which trade on only about 12 times earnings.



Sources: FT, Reuters

## Regent Pacific stake up for sale

By Antonia Sharpe and Norma Cohen

A prospectus is expected to be available later this week, industry sources said. Another large stake is held by Mr Jim Melton, chairman of Regent Pacific Group. He has built it up to become a firm specialising in the deconstruction of investment funds trading at big discounts to net asset value.

Regent Kingpin, a subsidiary of Regent Pacific, yesterday announced it had reached agreement with its target: the GT Chile Growth Fund.

Shareholders in Regent Pacific, the Hong Kong-based fund management company with a record of hostile bids for the control of investment funds, have put a substantial stake up for sale.

UK-based Phoenix Securities has been hired to find a buyer for the stake, believed to be the 60 per cent held by Canada-based Altamire Investment Fund.

## Bata buy moves Facia into Europe

Mr Stephen Hinchliffe, the acquisitive entrepreneur who is rapidly building up one of the UK's largest private retail businesses, yesterday took his first steps into continental Europe with the purchase of a chain of Bata shoe shops in Germany.

As with virtually all of the 13 acquisitions announced over the last 18 months, Facia, Mr Hinchliffe's company, refused to disclose the purchase price. However, Mr Gary O'Brien, Facia's chief operating officer, said the group in general preferred to pay a discount to net assets for acquisitions. The net assets of Bata Sile are expected to exceed DM27m on completion of the deal.

Facia is buying 110 stores with sales of more than DM110m. Peggy Hollinger

## JIB in red after exceptionals

Exceptional charges forced JIB, the insurance broker which is 61 per cent owned by Jardine Matheson, into the red in 1995 with pre-tax losses of £29.8m against profits of £24.4m.

Mr John Barton, chief executive, said charges of £78.1m arose from refusing the group on reinsurance and affinity insurance, for groups such as the British Medical Association. Mr Barton said the fall in profits from continuing businesses reflected intensive competition in the London reinsurance market. Over the last five years the company had lost about half of its clients due to closure or bankruptcy. Overseas, however, Mr Barton said the reinsurance market promised substantial growth. Peggy Hollinger

## Keswick promotes Kvaerner

Mr Simon Keswick, chairman of Trafalgar House, yesterday urged investors in the loss-making construction, engineering and shipping group to accept Kvaerner's £90m bid after warning that Trafalgar was unlikely to pay a dividend for at least a year. His comments were contained in an offer document sent to Trafalgar shareholders by the Norwegian engineering and shipping group, which has offered 50p for each Trafalgar ordinary share and 80p for each convertible preference share.

Kvaerner, which is raising £750m of borrowings to finance its purchase, intends to raise a similar amount from disposals of non-core assets of the combined businesses. Industry analysts expect these to include Cunard, Trafalgar's loss-making cruise shipping line. However, Mr Erik Tunseth, Kvaerner's chief executive, told shareholders he would examine "a range of options regarding the development of Cunard, which do not preclude Cunard remaining a part of Kvaerner". Andrew Taylor and Tim Burt

## Leeds raises £15m for purchase

Leeds Group, the yarn and fabric dyer and printer, is raising £15.1m (\$23m) net via a placing and open offer. Part of the proceeds will fund the £11m initial consideration for Nemesis, a north Italy-based fabric company it is acquiring for up to £15.7m. Hambro Bank is underwriting the placing and 21-for-100 offer of 6.7m new ordinary shares at 25p.

Nemesis, based in Solbiate Arno, near Milan, is owned by the Prandoni family and specialises in making printed cotton fabric for garden furniture and home furnishings. For the year to September 30 1995 it made pre-tax profits of £2.37m on turnover of £22.9m, of which more than 70 per cent was accounted for by exports. It sources most of its fabric from Russia and China.

Leeds is assuming debt in Nemesis which, excluding guarantees, amounted to £10.8m at January 31. The deferred payments are profit-related.

## RECOMMENDED CASH OFFERS BY

SBC Warburg  
a division of Swiss Bank Corporation  
on behalf of  
Kvaerner a.s  
for Trafalgar House Public Limited Company

Kvaerner a.s ("Kvaerner") announces that, by means of a formal offer document dated 13 March 1996 (the "Offer Document"), SBC Warburg, a division of Swiss Bank Corporation ("SBC Warburg"), has made Recommended Cash Offers (the "Offers") on behalf of Kvaerner to acquire all the Ordinary Shares and all the Convertible Preference Shares in Trafalgar House Public Limited Company ("Trafalgar House"). Terms defined in the Offer Document have the same meanings in this advertisement.

The Offers are on the basis of 50 pence in cash for each Ordinary Share and 80 pence in cash for each Convertible Preference Share.

The Shares which are subject of the Offers will be acquired fully paid, free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights now or after the date of the Offer Document attaching thereto including, in the case of the Ordinary Shares, the right to receive dividends and other distributions declared, paid or made after 1 March 1996 and, in the case of the Convertible Preference Shares, the right to receive dividends or other distributions declared, paid or made on or after 31 January 1996.

Shareholders accepting either or both of the Offers, other than certain overseas Shareholders, may elect to receive loan notes ("Loan Notes") instead of some or all of the cash consideration to which they would otherwise be entitled under the Offers on the basis of £1 nominal of Loan Notes for every £1 of cash consideration receivable under the Offers. The Loan Notes will be issued credited as fully paid in integral multiples of £1 nominal amount and any fractional entitlement to Loan Notes will be paid in cash. The Loan Notes will be transferable subject to certain restrictions, but no application will be made for the Loan Notes to be listed or dealt in on any stock exchange.

The full terms and conditions of the Offers are set out in the Offer Document and in the related Forms of Acceptance. Accepting Shareholders may only rely upon the Offer Document and Forms of Acceptance for all the terms and conditions of the Offer. Copies of the Offer Document and Forms of Acceptance are available for collection during normal business hours from Lloyds Bank Registrars, The Caneway, Worthing, West Sussex BN99 6DA or from SBC Warburg, 2 Finsbury Avenue, London EC2M 2PP.

Acceptances of the Offer should be received no later than 3.00 p.m. on 3 April 1996 (or such later time(s) and/or date(s) as Kvaerner may, subject to the City Code on Takeovers and Mergers, decide). The Offers are made by means of the Offer Document and are made to all holders of Shares, including those to whom the Offer Document is not being despatched.

The Loan Notes to be issued pursuant to the Offers have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, unless an exemption under such Act or relevant securities law is applicable, the Loan Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan or for the account or benefit of any United States, Canadian, Australian or Japanese person.

The Offers are not being made, directly or indirectly, in or into, or by use of the mails or any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, or are they being made in or into Canada, Australia or Japan. Accordingly, copies of the Offer Document and related Forms of Acceptance and this advertisement are not being, and must not be, mailed or otherwise distributed or sent in or into or from the United States, Canada, Australia or Japan. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute or send them in, into or from the United States, Canada, Australia or Japan, or use such mails or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offers and doing so may invalidate any purported acceptance.

SBC Warburg is acting for Kvaerner in connection with the Offers and no one else and will not be responsible to anyone other than Kvaerner for providing the protections afforded to its customers or for providing advice in relation to the Offers.

The members of the bid committee of Kvaerner, and the other persons named in paragraph 2 of Appendix 5 to the Offer Document, accept responsibility for the information contained in this advertisement and to the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not omit anything likely to affect the import of such information.

14 March 1996

## Eurotunnel 'standstill' on deadline

By Geoff Dyer

The stakes in the refinancing negotiations between Eurotunnel and its banks will be raised today when an important six month deadline is breached.

The group's 225 banks can now end the so-called standstill period if 65 per cent, by value of their loans, vote to do so.

The standstill period began in September after Eurotunnel, the Anglo-French group, suspended interest payments on £8bn (\$12bn) of debt. It can last for up to 18 months. During the first six months an 85 per cent vote was needed to terminate the agreement.

If the standstill period ends before a refinancing agreement has been reached, the Channel tunnel operator could go into administration. However, while the chance of a bank revolt is theoretically more possible, bankers report little prospect of this happening at the moment.

The prospect of the March 14 deadline was one of the factors which motivated the French commercial court last month to appoint two mediators.

Bankers say that the negotiations are still deadlocked while they await detailed information from Eurotunnel on its long-term growth prospects.

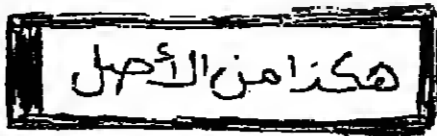
## RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current payment (p)	Date of payment	Dividends outstanding	Total for year	Total last year
Rayson (Charles)	202.6 (144.8)	17.7 (8.7)	6.53 (4.63)	1.6	May 24	1.8	2.5	2
BPE	65.5 (55.8)	8.5 (8.1)	1.8 (1.4)	7.5	May 9	0.5	11.2	9.9
Brent Int'l	142.5 (128)	3.5 (3.4)	1.7 (1.6)	1.4	April 27	2.6	2	4.2
Church	78.4 (76.6)	4.5 (3.5)	27 (20.7)	11.5	May 7	10.75	14.5	13.75
English China Clays	889.9 (1,041)	95.1 (89.4)	21.04 (20.05)	11.2	June 11	10.9	16.7	16.25
East Saxon Finance	0.111 (-)	0.052 (-)	7.52 (-)	-	-	-	-	-
Freight Leisure	2.09 (1.01)	0.502 (0.112)	2.71 (0.96)	-	-	-	-	-
Parsons	8.82 (7.54)	0.821 (0.706)	12.41 (10.8)	1.3	May 13	1.2	2.5	1.2
Harder MacLellan	438 (370.8)	11.1 (7.4)	6.5 (4.4)	1.3	July 3	1.1	2.4	2.1
Heywood Williams	582.5 (518.8)	31.7 (28.1)	26.7 (21)	8.8	May 1	8.8	13.6	13.8
Horrox Small	80.2 (74.3)	3.1 (2.9)	10.21 (11.5)	-	-	-	-	-
JIB	211.9 (228.2)	48.6 (44.4)	44.8 (41.5)	5	May 13	5	7.5	7.5
Laurent Horvath	89.3 (72.1)	1.67 (1.73)	9.81 (13)	4.26	May 16	4.85	7.1	7.1
Radlex	26.1 (24.9)	1.81 (1.45)	4.37 (3.45)	0.9	May 13	0.7	1.35	1.05
Race Int'l	3.849 (3.05)	7.56 (8.0)	51.7 (42.7)	17	May 28	14.8	24.5	21.5
Richard	46 (41.7)	2.3 (2.4)	8.4 (8.3)	2	May 4	2	2	2
Rosebery	68.2 (51.3)	4.01 (2.83)	11.81 (9.1)	4	May 17	3.35	6.8	6.3
Schroders	- (-)	197.3 (195.4)	71.5 (68.3)	11.5	May 3	9.7	15.8	13.7
Shire Phoenix	12.1 (2.8)	4.84 (2.32)	14.8 (12.8)	-	-	-	-	-
Sprig Ram	300 (256.5)	43.5 (34.3)	36 (27)	-	-	-	-	-
Tilbury Douglas	458.4 (406.3)	16.5 (15.2)	33.3 (30.2)	15	July 1	22.5	22	33
Waste Recycling	9.56 (3.14)	3.07 (1.16)	67.1 (42)	1.5	May 8	1.5	1.5	1.5

	NAV (p)	Attributable Change (p)	EPS (p)	Current payment (p)	Date of payment	Dividends outstanding	Total for year	Total last year
Fleming Mercantile	354.13 (300.3)	13.7 (10.1)	9.41 (6.9)	2.35	May 1	1.675	7.8	6.9
Pacific Assets	146.6 (132.1)	0.22 (0.1)	0.1 (0.06)	0.25	-	-	-	-
Thorncliffe	187.7 (166.2)	0.859 (0.829)	3.73 (2.73)	1.75	April 30	1.75	0.35	0.325
Thorncliffe	187.7 (166.2)	0.859 (0.829)	3.73 (2.73)	1.75	April 30	1.75	0.35	0.325

Figures shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. For increased capital. Turnover and profit figures refer to combined Reed Elsevier business. Equivalent after allowing for equity loans. Min stock. Ready paid. Cover period from Feb 21 to Dec 31 1995. \*4 second interim, making 3.5p to date.



COMMODITIES AND AGRICULTURE

Oil price hits two-month high in extended rally

By David Lascelles, Resources Editor. The oil price rose for the third day in succession yesterday, hitting its highest point in London in over two months.

Economic growth 'may spark commodity boom'

By Deborah Hargreaves. Growth in the world economy together with tight stocks of most raw materials could lead to another commodity price boom by the end of the year, according to the latest research from Goldman Sachs, the US broker.

Common ground sought on 'sustainable' forestry

By Manuela Saragosa in Jakarta. A fresh effort to find common ground between the forestry industry and environmentalists was launched last week in Indonesia, home to the world's second-largest reserves of rainforests, after Brazil.

Indonesia, a rare display of open public debate. The commission said calls by northern non-governmental organisations and environmentalist advocacy groups to preserve what is left of the world's forests did not accommodate the needs of 500m Asians who still live in poverty.

recognised as the largest contributor to deforestation in the developing world. A widespread view at the bearing was that communities living near or in the forest must have more control over its use and management.

Pellets hit the mark for steel producers

A record-breaking settlement has stretched iron ore price premiums, writes Bob Jones

Iron ore pellet suppliers are swiftly bringing their 1996 price negotiations to a close in Europe following the record-breaking benchmark settlement negotiated by the Iron Ore Company of Canada at the end of last month.

There are three main types of iron ore: fines, lump and pellet. The benchmark price for fines, which is the highest volume item, was settled in Japan at the end of January. BHP Iron Ore agreed a 6 per cent price rise with Japanese steel-

makers. To the surprise of most commercial executives in the industry, the Australian miner at the same time agreed a lower lump price increase of 5 per cent.

IRON ORE PRICES (US cents per 1% iron content in a tonne of ore)

Table with columns: Supplier, Destination, Ore Type, 1995, 1996, 1994, 1991. Suppliers include BHP, IOC, etc.

Source: Metal Bulletin

makers. To the surprise of most commercial executives in the industry, the Australian miner at the same time agreed a lower lump price increase of 5 per cent. Both miners and consumers agree that fine ore has been, commercially speaking, the weakest area of the iron ore industry for at least the last couple of years.

about 10 per cent in Japan for example. But the pellet premium have in some cases reached record levels. The premium for Canadian pellet over Canadian concentrates (equivalent to fines) has increased by more than 22 per cent since 1994 on a FOB basis to 23.6 cents (see table).

into pelletising has been the commissioning of new plants in Sweden and Venezuela. Projects to install new capacity are under construction or have been approved in India, Venezuela, Chile, Mexico and Brazil. Further investment in pelletising are under study in Peru, Saudi Arabia and Australia.

COMMODITIES PRICES

BASE METALS

Table of Base Metals prices including LONDON METAL EXCHANGE, Precious Metals continued, GRAINS AND OIL SEEDS, SOFTS, MEAT AND LIVESTOCK.

COMMODITIES PRICES

Table of Commodities Prices including ENERGY, METALS, SOFTS, MEAT AND LIVESTOCK.

COMMODITIES PRICES

Table of Commodities Prices including ENERGY, METALS, SOFTS, MEAT AND LIVESTOCK.

JOTTER PAD

Table for JOTTER PAD with columns for various commodities and their prices.

CROSSWORD

Crossword puzzle with clues and a grid. Clues include '1 Reserved a funny act to introduce one performance (6)', '2 British vessel used by mild producer perhaps (6)', etc.

PRECIOUS METALS

Table of Precious Metals prices including LONDON METAL MARKET, GOLD, SILVER, PLATINUM, etc.

FUTURES DATA

Table of Futures Data including various commodity futures contracts and their prices.

INDICES

Table of Indices including REUTERS, FTSE, DAX, etc.

COMMODITIES PRICES

Table of Commodities Prices including ENERGY, METALS, SOFTS, MEAT AND LIVESTOCK.

INTERNATIONAL CAPITAL MARKETS

Europe still coupled to US yields

By Samer Iskandar in London and Lisa Bransten in New York
European bond markets were firmer early yesterday, but lost ground later in the day when traders were made nervous by an erratic US Treasury market.

passed Tuesday's levels to post record highs. The April crude contract added 24 cents to \$20.70.

UK gilts recovered partly from the losses incurred last Friday and earlier this week, sustained by the release of weaker-than-expected unemployment data for February.

BTPs closed at 108.24, down 0.06. The 10-year spread over German bunds, which has narrowed substantially in the last few weeks, stood at 425 basis points at the end of 1995.

US Treasury prices saw-sawed through the morning and were flat by midday as traders prepared for data on consumer and producer prices due out today and tomorrow.

GOVERNMENT BONDS

was prepared in advance of the March 26 meeting of the Fed's Open Market Committee and released at noon.

German bunds were firmly supported in early trading, but suffered later from weakness in the US Treasury market.

French government bonds traded off during the day, but ended off their highs. Matif's March notional contract closed at 120.92, up 0.24.

Lucent IPO price indicated at \$22-\$25

By Tony Jackson in New York

Lucent Technologies, the equipment business of the US telephone company AT&T being spun off in the biggest ever IPO, has been given an indicated price of \$22-\$25 per share, valuing the offering of the 111m shares at \$2.4bn-\$2.8bn and the whole business at \$3.7bn-\$4.6bn.

US and Canada. Co-lead banks are Morgan Stanley and Goldman Sachs, with a further 16.7m shares will be available to the underwriters to cover over-allotment.

It predicted a net loss of \$100-\$140m before accounting charges, against a \$22m loss last year.

Lucent is cutting 22,000 jobs, half of which are in management. The costs formed part of a \$1.85bn net restructuring charge last year.

Daiwa plans Burmese OTC joint venture

By Peter Montagnon in Tokyo

Japan's Daiwa Securities has applied to the Burmese government for permission to establish a joint venture company to develop an over-the-counter market in local shares, according to Mr Zechi Ishikawa, managing director of the Daiwa group's research institute, which is assisting in the project.

Issuers tap demand from European retail investors

By Conner Middelmann

The eurobond market had an active session yesterday, but most of the new issues were short-dated, relatively small and targeted at European retail - currently the only investors willing to buy new bonds.

Corp, meanwhile, offered retail investors DM250m of three-year bonds carrying a 5 per cent coupon and yielding 5 basis points over bunds at the issue price, via SBC Warburg.

Tnyofa Motor Credit Corp issued FF1.5bn of six-year bonds yielding 18 basis points over French government bonds. Its triple-A rated issue got a warmer reception than the FF1.5bn offering of five-year bonds by Bayerische Hypothekbank, rated A2/A+, and priced to yield 18 basis points over government debt.

INTERNATIONAL BONDS

"Domestic investors have been keen to diversify away from French names while foreign investors, who were underweight in France at the beginning of 1996, have been buying heavily," said a dealer at a French bank.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-entries. Lists various international bond issues from issuers like US DOLLARS, SWISS FRANCS, ITALIAN LIRE, etc.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Price, Change, Yield, Week, Month. Lists benchmark government bonds for Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, US Treasury.

BOND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Table with columns: Strike, Price, Apr, May, Jun, Sep, Dec, Jan, Feb, Mar, Jun, Sep. Lists bond futures options for US, Italy, and UK.

FT-ACTUARIES FIXED INTEREST INDICES

Table with columns: Price Index, UK, US, Euro, Japan, etc. Lists fixed interest indices for various regions.

FT FIXED INTEREST INDICES

Table with columns: Govt, Sec, Corp, etc. Lists fixed interest indices for government, corporate, and other sectors.

US INTEREST RATES

Table with columns: Rate, One month, Three month, Six month, One year, Two year, Three year, Five year. Lists US interest rates for various terms.

UK

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists UK market data for various instruments.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:30 pm on March 13.

Large table listing international bonds with columns: Issuer, Issue, Price, Yield, etc. Includes entries for US DOLLAR STRAIGHTS, SWISS FRANCS STRAIGHTS, etc.

BOND FUTURES AND OPTIONS

FRANCE

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists French market data.

US

US TREASURY BOND FUTURES (CBT) \$100,000 bonds of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists US Treasury bond futures data.

GERMANY

NOTIONAL GERMAN BOND FUTURES (LIFFE) DM250,000 100ths of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists German market data.

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) ¥100m 100ths of 100%

Table with columns: Open, Settle, Change, High, Low, Est. vol., Open Int. Lists Japanese market data.

UK GILTS PRICES

Table with columns: Issue, Price, Change, Yield, etc. Lists UK gilt prices for various maturities.

Other Fixed Interest

Table with columns: Issue, Price, Change, Yield, etc. Lists other fixed interest instruments.



CURRENCIES AND MONEY

MARKETS REPORT

Dollar easier as markets waits for Bundesbank

By Philip Gawth

Currencies remained within established trading ranges yesterday, with markets still unable to establish any important directional trends.

If anything, the dollar had a slightly weaker bias to it, amid reports of a large order to sell dollars against sterling, which drove the dollar down to around DM1.47.

The D-Mark was steadier against the Swiss franc, which rose to a 6 1/2 week high following comments from Mr Markus Lusser, governor of the Swiss National Bank, that he saw no

need for further rate cuts. Concern about the single currency project has also increased demand for Swiss francs.

The South African budget was well received in financial markets. The rand closed at R3.9056, from R3.83, against the dollar. There was no announcement of exchange control relaxation, although the finance minister said an announcement would be made soon.

Sterling had a slightly steadier day. It closed at \$1.5234, from \$1.5199, and at DM2.2422, from DM2.2501.

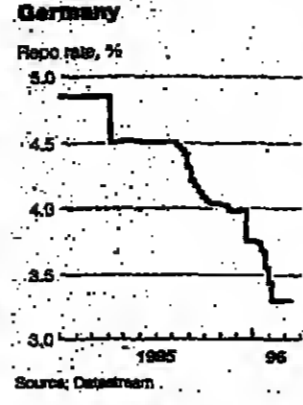
Some weak UK economic data were well received in interest rate markets with weak short sterling contracts falling sharply, after big losses in recent days.

December contract finished at 93.46, from 93.33. The China/Taiwan tensions which lent some support to the dollar last week, now appear to be weighing on it. Mr Peter Farley, analyst at MMS in London, said the dollar has not historically performed well during conflicts in which the US has been involved.

Also weighing on the dollar yesterday were rumours that Taiwan was planning to sell some of its US treasury holdings to support the Taiwan dollar.

The London conference on EMU organised by the Royal Institute of International Affairs provided further evidence of the deep seated tensions that exist over Europe.

Yesterday's proceedings saw Mr Eddie George and Mr Hoffmeyer, former governor of the Danish central bank, lined up against France's Jean-Claude Trichet and Mr Klaus Regling, director general of the German Ministry of Finance.



DM Spot Rate vs Dollar

WORLD INTEREST RATES

Table of Money Rates for various countries including Belgium, France, Germany, Italy, Netherlands, Switzerland, and Japan, showing rates for different terms.

Table of LIBOR FT London Interbank Rates for various currencies and terms.

Table of EURO CURRENCY INTEREST RATES for various currencies and terms.

Table of OTHER CURRENCIES including Hong Kong, New Zealand, and Singapore.

POUND SPOT FORWARD AGAINST THE POUND

Table showing Pound Spot Forward rates for various countries and currencies.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot Forward rates for various countries and currencies.

ISRAEL 2000 SICAV

Shareholder information for ISRAEL 2000 SICAV, including AGENDA and contact details for the company.

CROSS RATES AND DERIVATIVES

Table of Exchange Cross Rates for various currencies.

ISRAELI 2000 SICAV

Table of Israeli 2000 SICAV financial data and derivatives.

ASIAN INCOME FUND

Advertisement for ASIAN INCOME FUND, highlighting dividend distribution and investment details.

UK INTEREST RATES

Table of UK Interest Rates for various terms and currencies.

EMU EUROPEAN CURRENCY UNIT RATES

Table of EMU European Currency Unit Rates for various currencies.

U.S. \$150,000,000

Advertisement for U.S. \$150,000,000 Bank of Ireland notes.

BASE LENDING RATES

Table of Base Lending Rates for various banks and currencies.

ISRAELI 2000 SICAV

Table of Israeli 2000 SICAV financial data and derivatives.

Hongkong Bank

Advertisement for Hongkong Bank U.S. \$400,000,000 notes.

MEMBERS OF LONDON INVESTMENT BANKING ASSOCIATION

List of members of the London Investment Banking Association.

ISRAELI 2000 SICAV

Table of Israeli 2000 SICAV financial data and derivatives.

WANT TO KNOW A SECRET?

Advertisement for Mikun's Credit Ratings, offering financial information services.



LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

LIFE ASSURANCE

Table listing life assurance companies with columns for Name, Price, and % Change.

MEDIA

Table listing media companies with columns for Name, Price, and % Change.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging, and printing companies with columns for Name, Price, and % Change.

RETAILERS, FOOD

Table listing food retailers with columns for Name, Price, and % Change.

RETAILERS, GENERAL

Table listing general retailers with columns for Name, Price, and % Change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for Name, Price, and % Change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

PHARMACEUTICALS

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers (continued) with columns for Name, Price, and % Change.

PROPERTY

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES

Table listing support services companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

ENBC advertisement: 'There's no time like the present to check your futures. Call 0990 11 55 55.'

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Cityline, a member of the Financial Times Group. Company quotations are based on those used for the FT-SE 100 Index. Details of the service are available on request.





FT Managed Funds Service

Main table containing various fund listings with columns for fund name, price, and change. Includes sections for 'OTHER OFFSHORE FUNDS' and 'OFFSHORE INSURANCES'.

MANAGED FUNDS NOTES: Please note that prices are shown in US dollars and that prices of certain units may vary from the US dollar price of the units of the same fund.

LONDON STOCK EXCHANGE

MARKET REPORT

Firm gilts help to rebuild confidence in equities

By Steve Thompson, UK Stock Market Editor

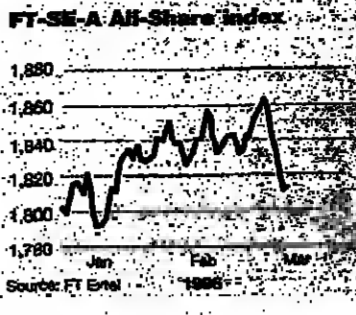
There was a much more confident feeling around European stock markets yesterday, especially in London, where share prices just about managed to close in the black after five consecutive sessions of losses.

ing days, mirroring the big slide on Wall Street. The UK market's second liners continued to demonstrate their resilience, with the FT-SE Mid 250 index moving up 7.2 to 4,229.9.

bonds delivered another erratic performance. The market has recently been dominated by the "big picture" led stories, so it was refreshing to see numerous individual stories take over the running.

Standard Chartered - the bank's shares posted a near 4 per cent gain - and the third worst performer in HSBC, which dipped 2 per cent.

bank's own broker, Cazenove. Switching from HSBC, amid vague rumblings about losses in bond markets, also helped Standard move up at the former's expense.



FT-SE-A All-Share Index

Indices and ratios

Table with 2 columns: Index Name and Value. Includes FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, FT-SE-A All-Share yield, FT Ordinary Index, FT-SE Non Fin/p/s, FT-SE 100 Fut Mar, 10 yr Gilt yield, Long Gilt/Equity Yld Ratio.

Best performing sectors

Table with 2 columns: Sector and Change. Includes Oil, integrated, Electronic & Elec, Mineral Extraction, Media, Retailers, Food.

Worst performing sectors

Table with 2 columns: Sector and Change. Includes Tobacco, Pharmaceuticals, Consumer Goods, Extractive Indus, Leisure & Hotels.

Tobacco fears hit BAT

BAT Industries, the insurance and tobacco conglomerate, saw its shares plunge 6.5 per cent on US tobacco worries.

Dealers said the heaviest volume for more than 2 1/2 years was helped by a very big derivatives-related trade on Tuesday.

But the fall of 35 to 50p - which marked a slide of almost 65p in the past five trading days - was the result of a worrying article in the US press.

The Wall Street Journal reported that Liggett, a US tobacco group, had offered to settle a class action lawsuit brought against cigarette manufacturers which claimed nicotine is addictive.

However, UBS said the move by Liggett was a way of encouraging a merger with K&N's tobacco arm and did not represent a weakening of will by tobacco groups.

Bank boosted

Shares in Standard Chartered, the international banking group with an extensive presence in the Far East, ignored the pressure from tensions between China and Taiwan to rise 2 1/2 to 58p.

following a recent bout of profit-taking in the Footsie's stellar performer of 1995, was prompted by a strong buy note from BZW.

Banking analyst Mr Hugh Pye is out in Hong Kong talking about the bank's operations there and has reported back that all is going very well.

He said costs are being hammered lower, personal banking - which reported a 50 per cent profit rise last year - is still showing strong growth and the corporate banking side is also well in hand.

His colleague Mr Tim Sykes said yesterday: "We have stressed the strength of the fundamentals and the recent softness in the share price is an added bonus as it presents a buying opportunity."

The enthusiasm for Standard was in marked contrast to the weakness in HSBC, which is the other big banking stock heavily geared to the Far East.

HSBC shares slid 17 to 960 1/2p, with some concern also developing over HSBC's exposure to bonds. SBC Warburg was said to be advising clients to switch holdings into Barclays, which rose 7 to 65p.

GEC advances

Management succession talk returned to electronics giant GEC. The shares, which surged from 300p to 381p between December and February on the back of hopes for a top boardroom appointment, put on 5 to 353 1/2p in above average volume of 6.8m for a two-day gain of 10p.

GEC's timetable said that the announcement of a successor to Lord Weinstock would come

in the spring. One leading analyst said yesterday: "The absence of leaks could suggest a deal has been done. This could be a very interesting situation."

Lonrho surged to fourth place in the FT-SE Mid 250 rankings on the news that South African mining monolith Anglo American had acquired 5.9 per cent of the international conglomerate.

"This gives Anglo a seat at Lonrho's mining demerger negotiations," said one leading Lonrho watcher. He added: "The betting must be that Anglo's intention not to buy more Lonrho shares is only a medium term strategy."

Lonrho rose 8 to 202p in above average turnover of 9.5m.

The traditionally slick annual presentation from BP produced a sharp rise in the share price but divided views among oil specialists.

BP predicted 9 per cent compound growth over the next five years and income of £3bn by the end of the century.

Mr John Toalster of SGST, the stock, turned buyer, citing "a very powerful and positive message on earnings and dividend prospects".

However, Merrill Lynch retained its neutral stance, arguing that in spite of a confident performance by management, "the shares stand on a prospective 1996 yield only in line with the market".

A buyback of 10 per cent of the share capital is expected and could have the effect of

increasing the dividend per share, assuming the company decided to hold the level of cash payout.

A strong sub-sector in recent months, bus groups continued to advance as talk concentrated on prospects for additional rail franchises.

British Rail is due shortly to announce the award of three more franchises, and both Stagecoach and National Express have been heavily tipped as potential winners.

Stagecoach, which has more than doubled in price since May last year, put on 15 at 430p. National Express, the group's second best FT-SE Mid 250 stock, jumped 25 to 493p.

Mobile phones group Vodafone moved ahead amid talk of strong new connection rates overseas. The group is also due to make a presentation to New York investors next week.

According to Henderson Crosthwaite, new connections outside the UK are running well in excess of domestic expansion, thanks to sharp growth in France and Australia. The shares moved forward 8 1/2 to 249 1/2p.

A buy note from ABN Amro Hoare Govett gave Securicor and Security Services a lift.

The broker has reassessed the value of the companies' stakes in the Cellnet mobile phones system and concluded that the shares are up to 40 per cent undervalued.

Securicor "A" climbed 30 to 965p and Security Services, its 51 per cent owned subsidiary, gained 28 at 873p.

Cable and Wireless, hit by profit-taking on Tuesday, swung back into favour with a rise of 2 to 469p in 8 1/2m traded.

The City's view of BT has been shaken up by the group's attempt at a reverse takeover of BT," said one telecoms analyst. He added: "The group appears determined to pull off a partnership deal, but BT looks the really feasible outlet. The take-out price is anything

between 500p and 600p."

Unilever's new management structure was given a warm welcome, the shares advancing 20 to 1225p in 3.9m traded. An add note from Merrill Lynch helped to push Cadbury Schweppes up 4 to 514p. United Biscuits lost 3 at 230p ahead of today's annual results.

Among drinks groups, Guinness firmed 10 to 464p following a positive change of stance by a leading drinks team.

Reed International, the publisher, put on 19 at 1057p on full-year figures above the range of analysts' forecasts.

Cordiant, the advertising group, jumped 11 to 116p in reaction to well received figures on Tuesday. Panmure Gordon has a target of 160p on the share price.

Among builders, a maintained dividend from High Walker Horwood Williams sent the shares up 19 to 235p. Arney, which is to share in a £180m tram contract, continued to gain ground, adding 11 at 196p.

LONDON RECENT ISSUES: EQUITIES

Table of recent equity issues with columns for Issue Name, Price, and Change.

FT GOLD MINES INDEX

Table showing gold mines index performance with columns for Index Name, Price, and Change.

FT-SE Actuarial Share Indices

Table showing actuarial share indices with columns for Index Name, Price, and Change.

The UK Series

Table showing UK series performance with columns for Index Name, Price, and Change.

Hourly movements

Table showing hourly movements with columns for Index Name, Price, and Change.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LFFP) £25 per £1 index point

Table with 2 columns: Date and Price.

FT-SE MID 250 INDEX FUTURES (LFFP) £10 per £1 index point

Table with 2 columns: Date and Price.

FT-SE 100 INDEX OPTIONS (LFFP) £10 per £1 index point

Table with 2 columns: Date and Price.

EURO STYLE FT-SE 100 INDEX OPTIONS (LFFP) £10 per £1 index point

Table with 2 columns: Date and Price.

Notes: Calls 3.30p; Puts 10.58p; Underlying index value, Premiums shown are based on settlement price; \* Long dated equity issues.

TRADING VOLUME

Major Stocks Yesterday

Table showing trading volume for major stocks with columns for Stock Name, Volume, and Change.

Market Reporters

Peter John, Jeffrey Brown.

Starch Under duvets advertisement with large text and background image.

24HR FOREX advertisement with logo and contact information.

SPREAD BETTING ON OVER EIGHTY MARKETS advertisement.

OFFSHORE COMPANIES advertisement.

Petroleum Argus Daily Oil Price Reports advertisement.

BERKELEY FUTURES LIMITED advertisement.

FUTURES AND OPTIONS TRADING advertisement.

PHILLIPS ADAMS AND UNDER advertisement.

KINGSTON-RIDDER'S FUTURES MARKET DATABANK FROM \$570 advertisement.

24HR FOREX advertisement.

SPREAD BETTING ON OVER EIGHTY MARKETS advertisement.

PHILLIPS ADAMS AND UNDER advertisement.

OFFSHORE COMPANIES advertisement.

The FT GUIDE TO WORLD CURRENCIES advertisement.

Petroleum Argus Daily Oil Price Reports advertisement.

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WORLD STOCK MARKETS

Main table of world stock markets including sections for EUROPE, ASIA, PACIFIC, US INDICES, and various regional indices. Each section lists stock symbols, prices, and percentage changes.

Rockwell's advanced technology is helping railroads improve performance and promote safety. Includes Rockwell logo and text: AUTOMATION • AERONAUTICS • AEROSPACE • DEFENSE ELECTRONICS • SEMICONDUCTOR SYSTEMS • AUTOMOTIVE • GRAPHIC SYSTEMS

INDEX FUTURES section containing data for CAD-60, DAX, S&P 500, and other major indices. Includes columns for Open, High, Low, and Change.

Market, Toronto, Closed, 4 Unsettled. FT FUTURE ANNUAL REPORTS SERVICE: The FT Future Annual Reports Service is a monthly publication of the FT Group. It provides a comprehensive overview of the global financial markets, including a detailed analysis of the major stock markets, commodities, and currencies. The service is available in both print and electronic formats.

4 pm close March 13

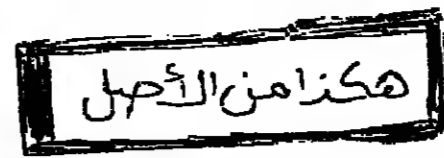
NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized into columns with headers like 'High', 'Low', 'Open', 'Close', 'Change', and 'Volume'. Includes sub-sections for 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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هنگامی که می‌نشینید

Continued on next page



NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for Stock, High, Low, Close, and Change. Includes sub-sections for 'Continued from previous page', '-V-', '-W-', '-T-', '-U-', and '-X-Y-Z-'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market prices with columns for Stock, High, Low, Close, and Change. Includes sub-sections for '-K-', '-L-', '-M-', '-N-', '-O-', '-P-', '-Q-', '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-', '-Y-', and '-Z-'.

AMEX COMPOSITE PRICES

Table of AMEX Composite Prices with columns for Stock, High, Low, Close, and Change.

Advertisement for Cyprus, featuring the text 'Have your FT hand delivered in Cyprus' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Continuation of the NYSE Composite Prices table from the previous page, including sub-sections for '-A-', '-B-', '-C-', '-D-', '-E-', '-F-', '-G-', '-H-', '-I-', '-J-', '-K-', '-L-', '-M-', '-N-', '-O-', '-P-', '-Q-', '-R-', '-S-', '-T-', '-U-', '-V-', '-W-', '-X-', '-Y-', and '-Z-'.

AMERICA

Nasdaq climbs despite soft book-to-bill ratio

Wall Street

Technology shares jumped in early trading yesterday, while action in other sectors was subdued as investors awaited inflation data due out today and tomorrow, writes Lisa Brannan in New York.

announced an alliance on Tuesday under which AOL would allow the use of Microsoft's Internet browser and Microsoft would include AOL in its software packages.

Canada

Toronto edged lower at mid-session as analysts warned that the market could become volatile ahead of tomorrow's triple witching expiry of options, futures and options on futures.

EUROPE

Zurich merger mania begins to clear

Some clarification emerged in ZURICH after the merger mania which had driven the market since last week's Cibas-Sandoz deal. The SMI index rose 17.2 to 3,583.3, supported by firming bond futures.

the dividend season, said observers, and BASF, with a 40 per cent rise in its payment, was yielding more than 5 per cent to German investors, even after another DM6.10 rise to DM288.60.

FT-SE Actuaries Share Indices

Table with columns for Date, Index, and Change. Rows include FT-SE 100, FT-SE 250, and FT-SE 1000.

Bonds closed better and financials saw the benefit, including Paribas which rose FF5.10 to FF7381.10 after Framatome, the nuclear group, decided to accept its bid for Navigation Mixte.

Mexico ahead although rates rise

Mexico City traded 1 per cent higher at mid-session following Tuesday's rise in interest rates, which proved smaller than many analysts had been expecting.

The IPC index gained 28.50 to 2,848.41 after the bellweather 20-day Cetes rate was raised by 75 basis points to 43.03 on Tuesday's auction, below earlier expectations of an increase of more than 100 basis points.

ment stemming from Wall Street's recovery late on Tuesday, and expectations of a Lower House vote later in the day on the government's patients bill.

ASIA PACIFIC

Nikkei off, Taiwan escapes regional downtrend

Mounting uncertainty over the government's liquidation plan for the country's housing loan companies pushed the Nikkei average down 1.1 per cent to a year's low, writes Emma Terzaxaki in Tokyo.

zawa, an analyst at Nikko Research Center. Profit-taking hit steels and shipbuilders. Nippon Steel shed Y4 to Y336 and Kawasaki Steel Y4 to Y332.

investors away, and made locals nervous as the SET index receded 18.76 to 1,247.79 in turnover of Bt4.9bn.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES. Table with columns for Market, No. of stocks, Dollar terms, and Local currency terms.

International investors are being urged to look beyond the current period of intense and bloody terrorism afflicting Israel in the run-up to the May elections and to reassess the Tel Aviv market, writes Michael Morgan.

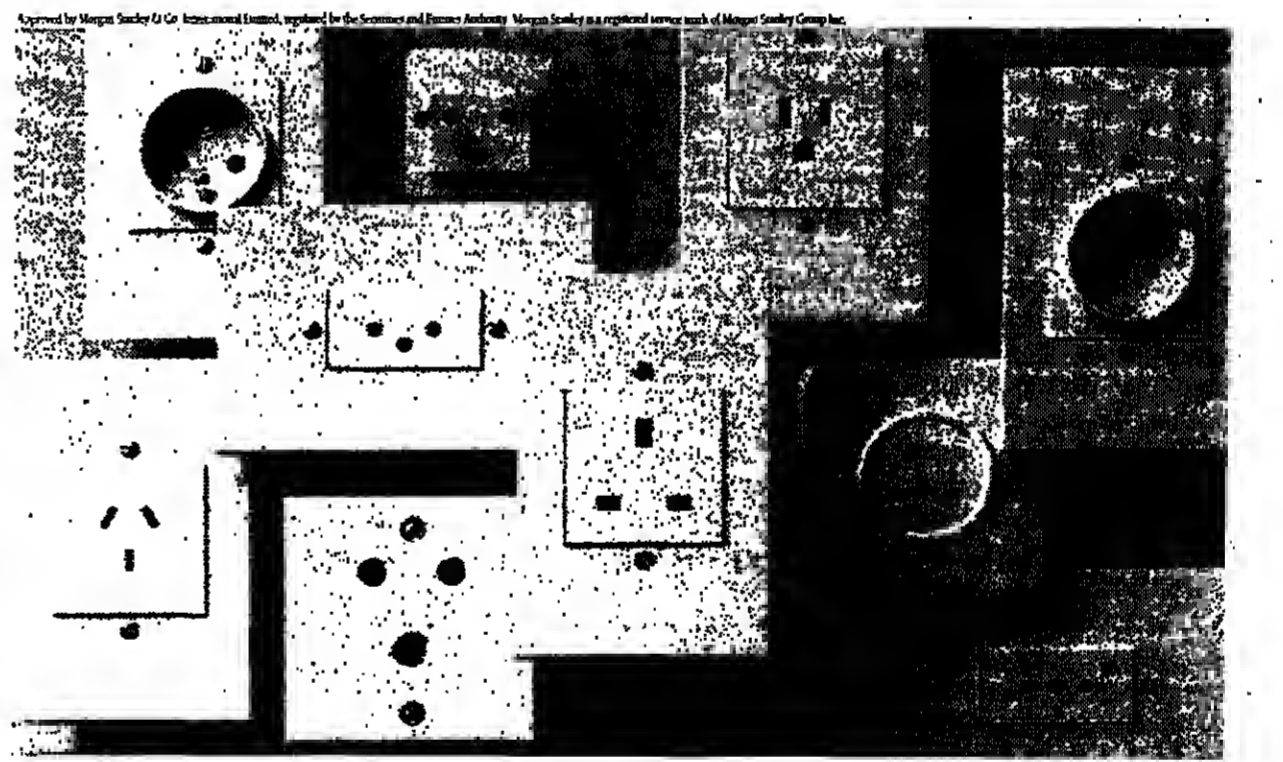
Roundup Wall Street's intra-day recovery on Tuesday merely emphasised its extreme volatility, said markets around the China seas, and rising military tensions in the Taiwan Strait, ironically, left only the centre of the tensions untouched yesterday.

chip manufacturer, which slid Won5,500 or 6.3 per cent to Won87,500 after another weak book-to-bill ratio for the semiconductor industry.

Ms Barbara Insel, Salomon's European emerging markets equity research co-ordinator, argues that to be a disincentive to investment, investors would have to believe that the current terror campaign had something to do with long term investment prospects.

in 16 years. "With its current R & D size-up, it is almost impossible to achieve Y50bn in sales by itself," said Mr Yasuhiro Nakagawa.

There are more than 45 investable markets around the world. The last thing you need is more than one standard to measure them.



FT/SE ACTUARIES WORLD INDICES. Table with columns for Country, Index, and Change. Rows include Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, India, Ireland, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom, and USA.

There is no shortage of exciting investment opportunities in the world today. But it can be difficult for an investor to compare performance across so many diverse markets. Unless, of course, the investor is using MSCI.

MSCI is the only single source of benchmark indices and securities data that the international investor will ever need. Its time-tested methodology provides superior and consistent data across all markets — both developed and emerging — enabling the investor to make direct comparisons.

MORGAN STANLEY